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Algeria	6.00 Dn	Israel	1.50 Dn	Norway	4.00 Nkr
Austria	19.5 S	Italy	1300 Lire	Poland	2700 Zlot
Belgium	40.15 B	Japan	400 Yen	Portugal	200 Esc
Canada	1.30 Cdn	Korea	200 Won	Spain	160 Ptas
Denmark	7.00 Dkr	Latvia	1.00 Ls	Sweden	6.00 Skr
France	6.50 F	Lithuania	1.00 Lt	Switzerland	2.20 Sfr
Germany	2.30 D.M.	Malta	1.00 Mta	Turkey	1.6 TL
Greece	200 Dr	Netherlands	1.50 Dfl	U.S.	1.00 Dlr
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## No Clear Signal From Israelis

Majority Is Likely to Elude Shamir, Peres in Vote Today

By Edward Walsh  
 Washington Post Service  
 JERUSALEM — Israelis vote Monday to elect the country's 11th parliament after a low-key campaign that may produce no clear political signal other than an underlying dissatisfaction with the performance of the Likud bloc government.

On the eve of the election, it was widely expected that the opposition Labor alignment, which has been out of power since 1977, would win more seats in the 120-member parliament than Likud.

The question was whether a Labor victory would be large enough to assure that the opposition leader, Shimon Peres, could form a government.

"A plurality they have in their pockets," said a pollster, Hanech Smith. "The question is the size of the gap between Labor and the Likud."

Mr. Smith's final poll, conducted Wednesday and Thursday and published Sunday in the Jerusalem Post, projected that Labor would win 48 seats to Likud's 41. But a worrisome aspect for Labor was that Mr. Smith's findings continued to indicate a slow but steady erosion in support for the party from 44 percent of the electorate last month to 38 percent less than a week before the election.

It was not known whether this trend continued through the final days of the campaign.

Two other opinion polls, published Sunday in the afternoon newspaper Ma'ariv, were contradictory. One showed Labor's lead



Prime Minister Yitzhak Shamir of Israel, right, and the leader of the opposition Labor Party, Shimon Peres.

shrinking to 46 seats, with Likud winning 40, while the other showed Labor holding a widening advantage of 49 seats to 37 for Likud.

It is generally assumed by political analysts that if Labor captures about 50 seats and enjoys a lead over Likud of eight or more seats, Mr. Peres will be within striking distance of forming a 61-seat parliamentary majority in coalition with some of the smaller parties that are aligned with Labor.

But a less decisive result would set off a wild scramble by Likud and Labor for the allegiance of the smaller parties.

In such maneuvering, Likud is thought to have an advantage since a majority of the smaller parties expected to win seats are its natural allies.

The uncertainty about the shape of the next government is due in part to the country's political system of proportional representation.

There are 26 parties running in the election and at least 10 of them, in addition to Labor and Likud, are expected to pass the threshold of 1 percent of the total vote needed to qualify for a seat in parliament.

The uncertainty reflects the deeply conservative nature of the Israeli electorate, which has voted to change governments only once in its 36-year history.

"It is almost inconceivable in any other country that a government that fought an inconclusive war and brought about 400 percent inflation would even be con-

## Warsaw Votes to Free 652 Political Prisoners

By Michael T. Kaufman  
 New York Times Service

WARSAW — Poland's parliament has approved an amnesty authorizing the release of 652 political prisoners within 30 days.

Officials said the amnesty, approved Saturday to mark the 40th anniversary of Communist rule, would apply to all political prisoners except those being held in connection with acts of high treason, espionage and sabotage.

The deputy chief state prosecutor said the measure would also extend amnesty to 35,000 common criminals.

The prosecutor, Hipolit Starszak, said paperwork would begin Monday and that the inmates covered by the amnesty would start leaving jails next week. He said women and young people would leave first.

Mr. Starszak said that the amnesty applied to the four advisers to the outlawed Solidarity union. Their trial for sedition was suspended Wednesday, less than a week after it opened.

Two of the defendants, Jack Kuron and Adam Michnik, have demanded an opportunity to prove their innocence. Mr. Michnik has hinted in letters from prison that he would refuse an amnesty and force his jailers to evict him physically.

[A Solidarity activist, Andrzej Gwiazda, who was imprisoned in December 1981, was temporarily released from prison Saturday to visit his ailing mother in his hometown of Gdansk. The Associated Press reported from Warsaw.

West Bank into Israel and criticized Labor for its stated willingness to return part of the West Bank to Jordan in return for a peace treaty.

Mr. Rabin said he had learned during a 27-year career in the army that Israel should "go to war only if there is no other choice."

"Peace is the best security," he said, reiterating the pledge that Labor would withdraw the army from southern Lebanon soon after coming to power.

Mr. Navon accused Likud of undermining the country's values and of inciting its majority oriental population from North Africa and the Middle East against Israelis of European ancestry who overwhelmingly support the opposition.

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## U.S. Losing Capability to Fight a War, Study in Congress Finds

By Richard Halloran  
 New York Times Service

WASHINGTON — A comprehensive congressional survey concludes that the military's readiness to fight is declining and that U.S. forces could not sustain combat against the Soviet Union or many lesser powers.

A 376-page report drawn from the 18-month inquiry appeared to be the most sweeping public indictment of readiness in the armed forces since the issue was raised by members of Congress, mostly Democrats, in hearings on the military budget last winter.

"The United States Army cannot be sustained in combat for any extended period of time," the report said. It questioned the navy's ability to sustain full combat air and surface operations for more than a week. And the air force, the investigators concluded, is not capable of conducting sustained conventional war operations against the Russians.

The examination was conducted by the investigative staff of the House Appropriations Committee, which is controlled by Democrats.

But their work was reviewed by aides to Defense Secretary Caspar W. Weinberger, and in a response published as part of the report, the Pentagon said that "most of the data on which the staff conclusions were drawn, while not specifically verified, appear accurate."

The Pentagon response contended that the study "highlights longstanding and well-recognized deficiencies which this administration inherited and has moved vigorously to correct."

The report on the inquiry, which ended last year, was made public as part of the committee's hearing record.

Calling the navy's readiness to defeat the Soviet Navy "seriously degraded," the report said that even the navies of Soviet surrogates and Third World forces, "while not capable of defeating the United States Navy, could inflict damage tantamount to a national disgrace."

While combat forces are capable of initiating a response, the forces do not have the war reserve material and the combat service support to sustain wartime operations, the study said.

"Shortages in aircraft and equipment spare parts, personnel, fuel storage capacity, casualty care, communications, and munitions continue as severe limitations in the capability to sustain war against Soviet forces," the report said.

Readiness has general and specific meanings that were used interchangeably in the report, as they often are in military parlance. In its widest sense, "readiness" measures the capability of the forces to go to war, to wage a long fight and to win. Specifically, readiness gauges the preparation of forces for the first day of a war, while sustaining forces in combat refers to the ability to continue a battle for a long time.

The inquiry said the readiness of U.S. conventional forces had deteriorated since the investigation began in 1982. "This deterioration has an increased significance in view of the positive expectations for improvement expressed by senior military officials during the initial investigation," the report said.

The conclusions are also at odds

## U.S. Welcomes Amnesty, Is Likely to Ease Curbs

By Bernard Gwertzman  
 New York Times Service

WASHINGTON — The United States has welcomed Poland's amnesty "a positive move," and administration officials said President Ronald Reagan would probably soon approve some further easing of the sanctions against Poland.

The officials said Saturday that the sanctions likely to be removed were the ban on regularly scheduled commercial flights to the United States by LOT, the Polish airline, and the curbs on U.S.-financed scientific exchanges.

In November and January, Mr. Reagan announced some steps to ease the sanctions, which were imposed after the declaration of martial law in Poland in December 1981. They included restoring Polish fishing privileges in U.S. waters, allowing LOT to fly charter flights to the United States and agreeing to talks on rescheduling Poland's \$15.2 billion official debt to the West.

"We welcome the announcement of the amnesty," the State Department said. "This is a positive move."

But the administration indicated that it was not ready to lift the most damaging economic sanctions against Poland until there was more progress toward liberalization there.

"We hope the amnesty will lead the Polish authorities to take further steps to meet the aspirations so clearly expressed by the Polish people," said a State Department spokeswoman, Kathleen Lang. "Lasting political, economic and social stability in Poland can only be achieved through genuine dia-

## Bonn Lets Soviet Truck Leave After Inspection

By James M. Markham  
 New York Times Service

BONN — The diplomatic dispute over a Soviet truck ended Sunday when West German customs officials inspected its nine-ton cargo on the grounds of the Soviet Embassy here and allowed the vehicle to continue its return journey to Moscow.

For eleven days, the Mercedes-Benz truck and its trailer had meandered from Switzerland, where Soviet diplomats denied customs officials a chance to examine its contents under a claim of diplomatic immunity from inspection, to West Germany, where it was halted on Thursday as it was about to cross into East Germany at Helmstedt.

The Swiss had ordered the trailer to be returned unopened to Moscow. But Chancellor Helmut Kohl's government had denied the vehicle permission to proceed until it could be opened, a demand initially resisted by the Russians.

As Moscow stalled, the West German press liberally speculated that the truck might contain everything from electronic eavesdropping equipment to smuggled high-technology goods made in the West.

In a statement issued Sunday afternoon, a Bonn spokesman said that West German customs officials had entered the truck and counted 207 packed items, which bore markings in Russian script. The inspection took about 20 minutes, and the customs men photographed but did not open the packages.

"According to the Soviet account," said the statement, "the contents were a sending and receiving installation for a radio station, installations for the setting up of coding communications for a required, normally functioning electronic-technical apparatus and materials, such as goods and tools for the establishment for the new

## INSIDE

As their convention draws near, the Republicans biggest problem is getting the media's attention.

China's leader, Deng Xiaoping, steps out of semiretirement over the issue of Hong Kong's future.

James F. Fox, who wrote books promoting running, died while jogging.

**BUSINESS/FINANCE**

The United Auto Workers begin wage talks with General Motors.

**SPORTS**

Severiano Ballesteros of Spain won the British Open golf tournament. Laurent Fignon was the victor in the Tour de France cycle race.

## 'Latino' Admits Literary Deception

Blacklisted as Communist, U.S. Writer Hid True Identity

By Anne C. Roark  
 Los Angeles Times Service

LOS ANGELES — A mysterious author who has written numerous short stories and an award-winning novel about east Los Angeles is not a young Latino, as his agent and editors had assumed for a decade and a half.

The writer is a 73-year-old playwright and screenwriter, born in the Midwest and educated in the East, who was blacklisted as a communist in the 1950s.

Since the name Danny Santiago first came to the attention of the literary world in 1970 with the publication of "The Somebody," the author has refused to be interviewed or to go on publicity tours.

Last year when he was awarded a prize by the American Academy and Institute of Arts and Letters for his first novel, "Famous All Over Town," he did not show up in New York to pick up the \$5,000 check.

He refused to supply even the barest biographical sketch when his editors wanted to submit his book for consideration of a Pulitzer Prize.

His new York agent, Carl Brandt, had never met him. For years, all communication had gone through a post office box in the California community of Pacific Grove.

Now, in an article to be published Monday in the New York Review of Books, a journalist and author, John Gregory Dunne, discloses the identity of Danny Santiago.

He is Dan James, the son of a wealthy Kansas City businessman, who was graduated from Yale University, worked with Charlie Chaplin on the film "The Great Dictator" and, with his wife, Lilith, wrote several drafts of the book "Bloomer Girl," which became a hit on Broadway in the 1940s.

One of the many casualties of the years when Hollywood blacklisted communists and those thought to be communists, Mr. James for years wrote monster movies before disappearing from the literary scene.

He and his wife then spent 25 years volunteering as social workers on Los Angeles' predominantly Latino east side.

"Perhaps I'll be criticized for operating under false pretenses," Mr. James said in a recent interview at his home in Northern California.

But, he said, "The book. The book. That's the important thing. Not the skin color or the ancestry of the author. I had to become Danny Santiago to write. I couldn't explain it to my friends or wife. Perhaps a psychiatrist in two or three years might find the root



The Little Mermaid: a second attack.

## Denmark's Little Mermaid Is Vandalized Once Again

United Press International

COPENHAGEN — Vandalism of the arm of Copenhagen's most famous tourist attraction, the Little Mermaid statue, early on Sunday, police said.

"The most important clue so far came from a man who heard sawing noises at about quarter past one this morning as he was walking home," Superintendent Henning Berner of the Copenhagen police said. "But he thought it came from a nearby shipyard and ignored it."

In 1964, the bronze statue's head was sawed off and stolen. A new head was made; the original was never found.

The Little Mermaid, sitting on a stone at the mouth of the harbor, was sculpted by Edvard Eriksen in 1913. She represents a character in a Hans Christian Andersen fairy tale, and was erected as a tribute to Juliette Price, the prima ballerina of the Royal Danish Ballet.



## Analysts Believe Iranian Fears Of High Loss Delays Offensive

By Drew Middleton  
New York Times Service

NEW YORK — American and Atlantic alliance intelligence analysts say they think Iran has put off a major new offensive against Iraq largely because of concern over whether it can provide sufficient air and tank support for its ground troops.

U.S. analysts say Iranian military leaders, most of them from the Revolutionary Guards, have expressed concern that without such support the assault would be repulsed by well-armed and well-trenched Iraqi forces with prohibitive casualties. This argument, the sources say, has been made to leading figures in the government of Ayatollah Ruhollah Khomeini.

Iran's most serious weakness is in the air. Western analysts estimate combat strength at 35 to 40 aircraft. Tehran has tried to buy fighters and fighter bombers from North Korea and in Eastern Europe. All such aircraft would be

Soviet made. But no such planes have been identified.

Some recently reported movements indicate that the Iranians have continued to mass most of their remaining 400 tanks in the area east of Basra. Although it has been assumed that the attack would be launched through the area north of the city, some analysts say it is just as likely that the Iranians will move across the terrain south of Basra and then swing north.

Iranian planning for an offensive may have to be modified, qualified sources said, by Iraq's recent flooding of the area north of Basra and just west of the frontier with Iran. Foreign diplomats in Baghdad reportedly believe that the flooded area is about 1,500 square miles with a depth of nine feet (2.74 meters) in some places.

A water barrier of that size, military sources said, would certainly cause an attacking army supply problems and, perhaps, channel the offensive along avenues of ap-

proach swept by Iraqi artillery fire. Should the military leaders follow low political directives and begin the attack, the analysts say they believe it will be accompanied by diversionary offensives in lesser strength farther north in the Majnoon marshes and in the area east of Kut. The intention would be to pull Iraqi defenders away from the Basra sector.

Some believe there may even be a limited offensive in the Mandali sector, closer to Baghdad, the Iraqi capital.

Months of stepped-up labor on internal lines of communication running parallel to the frontier should provide the Iraqis with the mobility to meet and perhaps check such diversionary attacks. But analysts note that the defenders rely mainly on the elaborate system of fortifications that now guard objectives like Basra, Baghdad and Kut, which the Iraqis consider vital.

To most military observers, Iranian frontal attacks on these positions, which bristle with field guns, dug-in tanks and surface-to-surface missiles, made without adequate air support, appear to be a prescription for heavy losses.

The alternative to the offensive, analysts suggested, is a stepped-up Iranian air war against targets in the lower Gulf.

In that area, F-4s, which are the Iranian Air Force's most effective combat aircraft, would operate outside the zone where Saudi Arabia's F-15 fly patrols. Attacks on tankers and other ships moving through the narrow Strait of Hormuz would be feasible, sources said.

They also noted that the lower Gulf is outside the range of Iraqi combat aircraft, which confine their activities to the exclusionary zone Baghdad has established around Kharg Island in the upper Gulf.

With the air-war at a deadlock, analysts noted, the only break in the war, which will be four years old in September, is likely to come through ground operations.

The consensus is that the Iraqis do not have sufficient manpower to risk a major offensive against Iran. However, most analysts say they think Iraq can handle an Iranian attack or attacks even if the offensives are carried out by the half million men believed to be massed along the frontiers.

### Iranian Fronts Offensive

Compiled by Our Staff From Dispatches

A top Iranian diplomat has said that Iran is planning a "grand offensive" to end the 46-month-old war with Iraq and topple President Saddam Hussein of Iraq. The Associated Press reported from Manama, Bahrain.

"I promise you" a "grand offensive," Mohammed Baqeri, Iran's roving ambassador in the Gulf region, said Saturday at a press conference in Kuwait. He would not say when the offensive would begin but he predicted that it would end in a victory for Iran.

Mr. Baqeri repeated Tehran's "unequivocal rejection" of efforts by the seven-nation Islamic mediation committee to end the war. The committee, which was formed in 1981 and is now headed by Sir Dawid K. Jawara, president of Gambia, resumed its mediation efforts last week with a meeting in Jeddah.

Meanwhile, Iraq has declared its "readiness to cooperate" with President Jawara and the nine-nation Islamic mission in efforts to end the war. The Associated Press reported from Baghdad.

In a statement issued Sunday, the Iraqi Foreign Ministry said Iraq was "ready to facilitate Jawara's mission" so that the unit can "achieve the noble reason for which it was formed." (UPI, AP)

### Advisers Suggest U.S. Dump Atom Wastes in Ocean

United Press International

WASHINGTON — A government advisory panel has recommended that the United States consider dumping radioactive waste in the oceans.

The report to President Ronald Reagan and Congress, which will be released this month by the National Advisory Committee on Oceans and Atmosphere, suggests ending the nation's 14-year moratorium on ocean-dumping of radioactive material.

The committee admitted in its study that the "track record of the experts in managing the radioactive waste problem in the past — and in keeping the public properly informed — does not instill confidence." It also conceded that the "ecological effects of prolonged exposure to low-level radioactivity" of land or water ecosystems were not well understood.

However, it said ocean disposal of a numerous low-level nuclear wastes — ranging from radioactive isotopes used in hospitals to atomic submarines, minus their fuel rods — could be done without causing environmental harm.

There are certainly many Japanese critics of the death penalty, which can be imposed here for 17 crimes but is reserved most commonly for murder and for a killing during a robbery. For the most part, political parties and religious organizations have avoided formal stands on the issue.

In Mr. Saito's case, newspapers rebuked the authorities in editorial for withholding information and perhaps even manufacturing evidence. But no editorials have challenged the death penalty. No



Members of Poland's parliament voting for the amnesty.

## Warsaw to Free Political Prisoners

(Continued from Page 1)

tioned or indicted in the last few weeks.

Under its provisions such well-known Solidarity activists as Mr. Gwiazda, Wladyslaw Frasyniuk, Karol Modzelewski and Marian Jurczyk, who have spent two and a half years in prison, would be set free.

The amnesty, Mr. Starszak said, would also mean freedom for the three convicted leaders of the Committee for an Independent Poland, a small fringe group that is not affiliated with Solidarity. Its members sought to extricate Poland from the Warsaw Pact alliance.

The amnesty will cover two ambulance attendants who were convicted last week of negligence in the beating death of the 19-year-old son of a dissident poet in May 1983.

The only political prisoners about whose fate Mr. Starszak seemed uncertain were Bogdan Lis, who was one of the top fugitive members of the Solidarity underground when he was captured in June, and Piotr Mierzejewski, an

other recently captured underground activist.

Since their incomplete indictments include references to high treason, Mr. Starszak said they might be exempted from the amnesty. However, he also said the indictments might be rewritten.

The anniversary commemorates

the day when a small group of Poles under Soviet sponsorship convened in the eastern Polish town of Chelm, just taken by the Soviet Army, to proclaim the new Polish republic. Under Moscow's aegis this later grew into the provisional and then permanent government of the People's Republic of Poland.

## U.S. Welcomes Amnesty

(Continued from Page 1)

ties reserved the right to arrest people again.

■ **Januzelski Attacks Sanctions**

The Polish leader, General Wojciech Januzelski, said in an article published Saturday that economic sanctions imposed on Poland by the United States and other Western nations were causing "huge financial losses." The Associated Press reported from Moscow.

General Januzelski, writing in the Soviet Communist Party daily Pravda to mark the 40th anniversary of the proclamation of Communist rule in Poland, also com-

plained of continuing "psychological aggression" from the West.

■ **NATO Welcomes Amnesty**

North Atlantic Treaty Organization officials gave a cautious welcome to the Polish amnesty on Saturday and said it could lead to a gradual lifting of remaining Western sanctions. Reuters reported from Brussels.

Although NATO made no official comment on the amnesty, an alliance official said: "If this amnesty really is unconditional, NATO governments will certainly honor it. But they will want to be sure it is genuinely unconditional."

## Reagan Says Laos Agrees to Let U.S. Search Site for Remains of 13 MIAs

By Bernard Gwertzman

New York Times Service

WASHINGTON — President Ronald Reagan has announced that Laos has agreed to allow U.S. officials to excavate a site to search for the remains of 13 U.S. servicemen whose plane crashed there nearly 12 years ago.

Mr. Reagan made the disclosure Friday during a ceremony at the White House in honor of National POW-MIA Recognition Day, which recognizes prisoners of war and those missing in action.

He affirmed his administration's determination to recover the remains and press for information on 2,489 Americans unaccounted for from the Vietnam War, as well as 8,177 from the Korean War.

About 600 of the 2,489 were reported dead or missing in Laos. The Vietnamese government last year met with U.S. officials and allowed a technical team to visit the crash site, near the city of Pakse.

The United States, which severed diplomatic relations with Vietnam and Cambodia after the Communist takeovers there in 1975, has maintained diplomatic relations with Laos. But it has said that ties could not be improved until the missing-in-action issue is resolved.

Mr. Reagan said that Laos "seems to have gained a greater understanding of the importance to us of the POW-MIA issue."

"We in return have gained a greater understanding of their feelings and problems," he said. "This

process has led us to discussions of joint crash site searches."

"And in this regard, I want to pass on some good news to you," he said. "Late last night, we were informed by the government of Laos of official agreement in principle to excavation of a U.S. crash site. We're working out the details now. We welcome this cooperative gesture."

A Defense Department spokesman said Mr. Reagan was referring to an air force gunship, an AC-130, that exploded in the air Dec. 21, 1972, near Pakse, with 16 men aboard. Two parachuted to safety, and the remains of one man were found the next day.

During the ceremony on Friday, with many former prisoners of war and families of men missing in action in the audience, Mr. Reagan pledged that the administration would make a major effort on behalf of the missing in action, or those assumed to be killed, but whose remains have not been recovered.

Implicitly seeming to criticize past administrations, Mr. Reagan said the families of the unaccounted for had for many years "stood alone in your quest for answers."

"Well, today you're not alone," he said. "And I tell you from my heart, you will never be alone again."

On Wednesday, Secretary of State George P. Shultz said that Vietnam had agreed to resume talks in mid-August on locating the remains and providing information

on those unaccounted for in Vietnam.

Mr. Reagan, noting that Friday was the 30th anniversary of the signing of agreements in Geneva on Indochina, said the hoped-for peace has never come to that part of the world. He said Vietnam and the United States "still have major differences."

But he said that he was "encouraged" by Vietnam's willingness to cooperate on the missing-in-action question.

Mr. Reagan said resolution of that issue, as well as Vietnam's agreement to negotiations on Cambodia with other countries in the area, "provide the key for ending Vietnam's isolation."

Mr. Reagan also addressed the less publicized situation in Korea, where 8,177 Americans are officially listed as unaccounted for.

He said the United States has pressed North Korea for an accounting of any missing from that war.

He also said that some Korean War veterans had recently provided information on possible grave locations.

A White House official said the information was on possible sites in South Korea, and contacts were going on with the South Korean government.

But neither State Department nor Pentagon officials were able to shed light on why sites in South Korea, an ally of the United States, had not been discovered 31 years after the end of that war.

## WORLD BRIEFS

### Manila Prepares for Demonstrations

MANILA (UPI) — The military went on the highest state of alert Sunday because of possible protests against President Ferdinand E. Marcos during the Monday opening session of the National Assembly. Police sources said about 600 riot police backed by soldiers would be deployed near the parliament's complex in the suburbs hours before the 10 A.M. opening. Leading independent labor groups have vowed to picket the assembly to protest allegedly unfair labor laws and a crackdown on striking workers.

Opposition assembly members have threatened to boycott Mr. Marcos's state-of-the-nation address during an afternoon session of the 200-member assembly. Its opening marks the beginning of a parliamentary democracy 12 years after Mr. Marcos declared martial law, abolished Congress and began replacing the presidential form of government.

### Nicaragua Coalition Picks Candidates

MANAGUA (UPI) — Nicaragua's largest opposition group has named a presidential candidate for elections on Nov. 4 although it says it might withdraw from the campaign if the leftist government does not completely lift a state of emergency.

The Nicaraguan Democratic Coordinator, a coalition of three political parties, two labor unions and a businessmen's group, declared Arturo José Cruz its presidential and Adán Fleites its vice presidential candidates. Mr. Fleites had already been nominated by the Social Christian Party as its presidential candidate.

The coalition designated its candidates less than a week before the July 25 registration deadline. However, Luis Rivas Leizaola, the coalition president, said Friday his group would still withdraw from the elections if the state of emergency were not lifted. The easing of restrictions announced Thursday by the Sandinist junta — freedom of movement, the right of political parties to hold rallies and a reduction of curbs on the press — were insufficient, he added.

### Sudan Says It Seized Rebel Positions

KHARTOUM, Sudan (Combined Dispatches) — President Gaafar Nimeiri says the army recently took control of rebel positions near Sudan's southeastern border and drove guerrillas back into Ethiopia, the Sudan News Agency reported Sunday.

In a speech broadcast Saturday from the eastern regional capital of Kassala, Mr. Nimeiri accused Ethiopia of harboring the rebels and urged it to follow "our call for peace." Ethiopia denies it supports the rebels. The insurgency in southern Sudan, which is mostly Christian and animist, was rekindled last year when the president imposed Islamic law throughout the country and reduced local powers. (UPI, AP)

### EPA May Offer Ban on Lead in Gas

WASHINGTON (NYT) — The Environmental Protection Agency will soon propose rules to reduce the lead content of gasoline by more than 90 percent in the next four years and to ban leaded gasoline by 1995, agency officials say.

They said Friday that the decision to issue the rules, which may be announced this week, was based on recent findings that lead was a more serious threat to health than previously believed, and that current rules would not reduce the lead content of gasoline as soon as had been hoped because of motorists illegally putting leaded gasoline in cars supposed to use unleaded fuel.

Refining industry officials warned that the industry may lack the capacity to comply with the new rules and that they would probably cause a decline in domestic gasoline production, higher gasoline prices and drive smaller refineries out of business.

### Sikhs Quarrel Over Temple Repairs

AMRITSAR, India (Combined Dispatches) — High priests of the Sikh faith excommunicated a warrior chief Sunday for leading 10,000 volunteers in repairing the Golden Temple, the religion's holiest shrine.

The chief, Baba Santa Singh, said that the priests "had no right to take such action" and continued with repairs of the temple complex. The temple was damaged in an army assault last month. The priests had insisted that the government withdraw its troops before repairs could begin.

Elsewhere in the Punjab, police shot two suspected Sikh extremists Friday and another Saturday. Police also detained about 12 people for questioning over the suspected sabotage Saturday of a major irrigation canal, the Press Trust of India reported. A 200-yard (182-meter) breach in the canal wall flooded several villages and disrupted the water supply in others. (UPI, Reuters, AP)

### China Says Hot Line Won't Avert War

BEIJING (AP) — The People's Daily newspaper said Sunday that a new agreement to improve the hot line link between Washington and Moscow would not prevent a sudden nuclear attack.

The commentary in the Communist Party newspaper was China's first official reaction to a pact reached earlier this month to improve the technology of a special telephone circuit between the White House and the Kremlin.

The People's Daily said that "just having a hot line will not guarantee protection against a sudden attack. In war, nothing is too doubtful." It added that all the United States and Soviet Union had to do to lessen the danger of nuclear annihilation "is stop producing and testing nuclear weapons, and gradually reduce the number of nuclear weapons, and the danger of nuclear catastrophe will clearly diminish."

### Lutheran Assembly Opens in Hungary

BUDAPEST (AP) — The Lutheran World Federation opened its seventh assembly here Sunday with an internationally televised public service. The ceremony in the Budapest sports hall was attended by 1,400 official delegates and an audience that was estimated at 12,000 to 14,000 people. Hungary has 430,000 Lutherans.

The delegates to the two-week assembly represent 97 member churches to which about 55 million Lutherans belong. Several non-Lutheran church leaders, including a Roman Catholic cardinal, are scheduled to address the assembly. Among the items on the agenda is a recommendation from the outgoing federation's executive committee that all churches in southern Africa be expelled. They are the Evangelical Lutheran Church in South Africa (Cape Church) and the German Evangelical Lutheran Church in South-West Africa, or Namibia.

### Duarte Ends European Tour in Lisbon

LISBON (Reuters) — President José Napoleón Duarte of El Salvador headed for Washington and talks with President Ronald Reagan on Sunday after a five-nation West European tour during which he appealed for help in restoring democracy.

Mr. Duarte unexpectedly cut short a planned 24-hour visit to Lisbon, canceling a scheduled luncheon with President António Ramalho Eanes and taking off from the Lisbon airport at dawn.

Portuguese officials discounted speculation that it might be connected with what Portuguese newspapers called a diplomatic gaffe by the Central American leader when he arrived from London on Saturday. Mr. Duarte, who was met by President Soares and Prime Minister Mário Soares, twice referred to "President Soares," and this clearly irked Mr. Eanes.

### For the Record

Three men were arrested Sunday in Washington in connection with the kidnapping of a woman seized at her hotel in the city, where she was attending the American Contract Bridge League's tournament. Edith Rosenkranz, 60, whose multimillionaire husband, George, was a top-seeded player in the contest, was released unharmed Saturday night in the city center after being held for 48 hours. The FBI recovered a ransom, reported to be \$1 million. (AP)

About 5,000 air passengers were grounded Sunday at Israel's Ben Gurion international airport in Tel Aviv when airport workers called a strike for higher wages. Eighteen flights were held up for five hours by the 1,500 workers, who returned to work after putting their demands to an independent labor body. (Reuters)

Father Brian Gore, a priest accused of murder in the Philippines, returned Sunday to his home in Perth, Australia. He was accused with an Irish priest, Niall O'Brien, and six Filipino layworkers of conspiracy in the ambush and murder of a mayor and his aides. Prosecutors dropped the charges two weeks ago on condition that the two missionaries leave. (AP)

U.S. and Thai forces will storm a beach in southern Thailand next month to end five weeks of air, sea and land war exercises, a U.S. Embassy spokesman said Sunday. The Cobra Gold 84 exercises will involve nearly 10,000 troops, 35 ships and 62 aircraft of the two nations. Preparatory exercises started July 2. (AP)

An American Jew was sentenced Sunday in Jerusalem to 39 months in prison for shooting at an Arab bus on the West Bank in March, wounding six Palestinians. Matthew Liebowitz, 19, of Chicago, Illinois, pleaded guilty to charges of shooting a weapon with the intent of causing grievous bodily harm. (UPI)

Polisario guerrillas killed 19 Moroccan soldiers in three attacks Friday on Moroccan positions in the north of the Western Sahara, according to a communiqué issued Sunday by the Saharan information ministry. The Polisario has been fighting Morocco for more than eight years for the independence of the territory which it has proclaimed the Saharan Arab Democratic Republic. (Reuters)

## Talks Held in Lebanon On Christian Refugees

Reuters

BEIRUT — Christian and Druze Muslim leaders held negotiations Sunday on the return of Christian villagers to the Druze-held mountains southeast of Beirut, the Druze Progressive Socialist Party radio said.

In Beirut, the government's security plan took another step forward when militiamen handed in a variety of weapons for storage in locked and guarded depots.

The disarmament did not involve militia positions in the foothills south of the capital, where heavy fighting occurred Sunday evening between Christians and Muslims, security sources said. The artillery and rocket fire lasted about 30 minutes, the sources said. No casualties were reported.

The new national unity government wants to extend the security plan to the mountains and foothills, but many Christians have insisted that refugees driven from their homes in last year's fighting in the hills be allowed home as part of the plan.

Under supervision of the Druze Progressive Socialist Party, some Christian families returned recently to the village of Meshref, 12 miles (20 kilometers) south of Beirut, and Druze sources said the discussions Sunday covered a return to the town of Bhamdoun, 11 miles east of the capital.

## 'Latino' Author Reveals His Literary Deception

(Continued from Page 1)

all sorts of speculation about who he was. There were plenty of theories but I suppose the leading one was that he was in jail. Why else would he use a post office box in somebody else's name?"

Would a book about the turbulent life of a youth growing up on the city's east side have been published had Simon and Schuster known the author was not a Latino?

"I'm positive it was not a factor at all," Mr. Bender said. "The book had to have been judged on its merits apart from who the author was."

"When you're buying a book from an unknown author," he con-

tinued, "you have to rely on the book for publicity, not the author."

At the interview, Mr. James, white haired and blue eyed, laughed about his deception and explained why he decided to come out of hiding.

The editor of the New York Review, he said, asked Mr. Dunne to write a story about east Los Angeles, using "Famous All Over Town" as the peg.

"I suppose I thought it had come full circle," Mr. James said. "John was the one who helped me get the stories published and now an editor was coming to him and asking him to write about me."

"I felt as though someone was pointing a finger at me and saying: Now is the time."

Knowing that the world would soon know about his little deception, Danny Santiago spent the end of last week writing letters to his fans.

"I'm going to tell you something that is going to come as a awful shock, but I hope you know I still love you," the letters begin.

Danny Santiago is at work on his second novel and he already has third and fourth ones in mind. In one of them, Mr. James expects, Danny and Dan will meet. He hopes they will like each other.



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## James F. Fixx, Promoter of Running, Dies at 52 While Jogging in Vermont

New York Times Service  
NEW YORK — James F. Fixx, 52, who encouraged the jogging craze in the United States with his best-selling books about running and preached the gospel that active people lived longer, died Friday of a heart attack while jogging in Vermont.

Mr. Fixx, the author of "The Complete Book of Running," was found, dressed in shorts and running shoes, by a motorcyclist. An autopsy Saturday revealed that he had died of a heart attack and that two of his coronary arteries were sufficiently blocked to warrant a bypass operation.

According to Mr. Fixx's sister, Kitty Fixx Bower, he was "most aware of the signs" of coronary disease because of their father's death from a heart attack at the age of 43. Mrs. Bower said that her brother believed himself to be in good health, having run races of 12 and five miles in recent weeks and having "trounced" her in a tennis

match on Cape Cod the previous day.

Fred Lebow, president of the New York Road Runners Club, said: "What I'm concerned about now is all those people who talk about the danger of running. What does this prove to them? Sure, we have people dying in Central Park, one or two a year while running. But I'm sure more people die on the golf course or watching the Yankees play baseball. Maybe if Jim Fixx didn't run, he'd have died five years ago."

When Mr. Fixx began jogging in 1967 he weighed 220 pounds (99 kilograms) and smoked two packs of cigarettes a day. As his passion for running increased, he stopped smoking, changed his eating habits, lost 61 pounds and wrote his book, which earned more than \$1 million.

His book presents a balanced account of the conflicting medical evidence about the connection between jogging and good health. He ultimately concluded that, "al-

though the evidence is inconclusive, most of it clearly suggests that running is more likely to increase than decrease longevity."

Other deaths:

George M. Low, 58, president of Rensselaer Polytechnic Institute, and who in 1971 with the National Aeronautics and Space Administration and its predecessor, the National Advisory Committee for Aeronautics, was a driving force in the Apollo moon landing program, Tuesday of cancer in Troy, New York.

Charles Friedman, 61, who directed "Fins and Needles," "Carmen Jones" and the Kurt Weill version of "Street Scene," on Broadway, Wednesday of pneumonia in New York.

Charles H. Wilson, 67, a California Democrat who spent 18 years in the House before being defeated for re-election in 1980, Saturday in Washington after a heart attack.

William M. Witter, 61, retired chairman of Dean Witter & Co.



James F. Fixx

stockbrokers, Tuesday in San Francisco after a long illness.

Jean-Henry Laurens, 70, a former lead tenor at Italy's La Scala opera house, in an apparent gas explosion at his apartment in Nice, officials said Friday.

Malcolm Muir Jr., 68, former executive editor of Newsweek and son of a former Newsweek president, Friday after suffering a heart attack while running in Martha's Vineyard State Forest, Massachusetts.

## Ruling Body Is Dissolved By Liberians

The Associated Press  
MONROVIA, Liberia — Samuel K. Doe, the Liberian military head of state, has dissolved his ruling People's Redemption Council. The council will be replaced by a National Assembly.

Mr. Doe announced the change Saturday as a step toward returning the country to civilian rule.

The announcement came a day after officials released results of a July 3 referendum. The referendum showed that a large majority favored a new civilian constitution.

The People's Redemption Council will be replaced immediately by an interim assembly, Mr. Doe said. The assembly will include all members of the council and 35 civilians, who will represent various political subdivisions.

Mr. Doe, whose military regime came to power in April 1980, said the assembly would assist the military government in returning the country to civilian rule. General elections are to be held in October and November 1985. The new civilian government is due to take control Jan. 1, 1986.

Mr. Doe said Liberia's new vice president would be Harry F. Monib, now ambassador to London. Major General Nicholas J. Podier will be speaker of the assembly.

## Upper Volta's Nonviolent Reputation Is Marred by Deaths of Coup Suspects

By Clifford D. May

New York Times Service  
OUAGADOUGOU, Upper Volta — This former French colony has found stability elusive. But until recently, Upper Volta's internal struggles have been accompanied by a minimum of violence.

In late May, however, the government of this West African nation announced that a coup plot had been foiled just hours before it was to be carried out. A court-martial was held behind closed doors and seven men, two of them civilians, were found guilty. Executions followed promptly.

"The Voltaiques I know went into shock," said a European relief worker. "They didn't even want to talk about it. It's the only time I've ever seen them clam up like that."

A middle-aged tailor in Ouagadougou's central markets said: "This was a very wrong thing to do. It was not a Voltaic thing to do. And now who can say what will happen because the spilling of blood only calls for more blood."

There have been three successful coups in this country of seven million since November 1980. The last was in August, when Captain Thomas Sankara, a 34-year-old paratrooper, came to power. He is a leftist with close ties to Libya.

Government spokesmen said that the plotters in May had not

acted alone. The man accused of leading the conspiracy, former Colonel Nibbia Didier Iendredrebeogo, was said to have regularly visited the U.S. Embassy. The rebels were also said to have "received the assurance that France and Israel would aid the coup."

The French and U.S. ambassadors denied complicity and told the government they were "fed up with unjustified suspicions," according to a Western diplomat.

In fact, if there is any proof that a coup was actually planned, the government has yet to publish it.

"It's rather hard to believe," said an official of an international organization, "that a military operation was about to be triggered within 48 hours and that the government stopped it just in the nick of time."

A senior Western diplomat added: "Those accused were certainly anti-government. But they may have done nothing more than talk about it."

Some Upper Voltaiques not in government say they believe that the decision on executions may also have been partly due to the influence of neighboring Ghana's radical leader, Flight Lieutenant Jerry J. Rawlings, with whom Captain Sankara has been having increas-

ingly close relations. The Ghanaian leader has presided over the executions of many people considered enemies of his state.

Upper Volta officials, however, say no such ulterior motives or influences were at work, that capital punishment is the penalty for treason throughout most of the world and that true revolutionaries have no time for sentimental notions about the gentility of the national character.

Captain Pierre Ouedraogo, the 29-year-old secretary general of the Councils for the Defense of the Revolution, said: "Profound change has always been accompanied by violence."

## USS Rickover Added To Submarine Fleet

United Press International

GROTON, Connecticut — The USS Rickover, the first fast attack submarine named after an individual, officially joined the U.S. fleet Saturday while retired Admiral Hyman G. Rickover looked on.

Admiral Rickover, 84, who is known as the father of the nuclear-powered navy, did not speak at the hour-long ceremony. All of the other 23 fast-attack submarines have been named after U.S. cities.

## Money Gravitates

The United States should view with compassion the staggering debt problems of Mexico, Brazil and Argentina; its own debt far exceeds all of theirs, even combined with that of Poland and Hungary. But for Europeans and others to blame the dollar's rise on America's high interest rates is rather like blaming the crowds at Bloomingdale's for its fine bargains.

If more housewives prefer spaghetti than prefer macaroni, the first will sell more briskly than the second. This does not portend disaster for macaroni. It says simply that for the time being it is less favored. Money gravitates to where it makes the most money.

A case might be made for over-zealous patriots having been victimized by over-zealous bankers. But both were over 21, and could add and subtract. If the wheel were spun the other way and the ball dropped into another slot, would the politicians repay interest or accelerate their repayments to bail out the banks? Wouldn't they just say, "Too bad, buddy, but a deal's a deal?"

Germany, Italy and Britain once sent warships to make Venezuela pay its debts, but the United States shooed them away. Nobody today is going to send troops to collect debts. On the other hand, if creditors press too hard and the politicians must choose between exacerbating austerity, privation and unrest at home, versus nasty letters from Wall Street, it is not hard to predict what will choose.

Should ever the banks again become over-loaded and have to put salesmen on the road to hassle up some deals there are wide areas of the Earth populated by honest, hardworking folks who need capital. The risks may look greater, the payout longer, but in the long run both parties, and the human condition, will be benefited.

ALBIN DEARING, Perugia, Italy.

## What Joyce Said

Samuel Aib, in "Rejoicing With the Ulysses Set" (June 22), refers explicitly to what I said or am purported to have said in Frankfurt on the last day of the Ninth James Joyce Symposium during which I was presented with a symbolic first copy of "The Critical and Synoptic Edition of Ulysses."

The purpose of this letter is to set the record straight.

Regarding the now all-too-famous letters from James to Nora Joyce, my condemnation was directed at all those who were involved with their publication nearly 10 years ago. What I said was, "Intimate, very personal private letters, which were never meant for the public eye, have been sold, pirated and published. I condemn and deplore this intolerable shameful invasion of privacy, as would my grandparents, were they standing beside me here today."

My disapproval is directed at all who contributed to the publication of these letters: the person who sold the letters without ensuring adequate protection (in fact, Stan-

between all democratic forces in achieving this goal after the forthright election.

As you see, they did not in fact speak of a "flawed" election.

RICHARD MUSCAT, Christian Democratic International, Rome.

## On Mondale's Choice

Geraldine Ferraro is a capable woman — as far as she goes — but in this age she does not go far enough. To be fair, many male vice presidential choices have not been luminaries, but the times are too unsure to continue playing this dangerous game. Experience for experience, I would rather have George Bush calling the signals.

AL ROSSUM, Paris.

As a U.S. voter, I feel that Mr. Mondale has sealed his fate. We women are not that liberated.

VIRGINIA L. ASKEW, Seamen, Switzerland.

## No 'Diversion'

Regarding "Israelis Divert Lebanese Ferryboat; Fear of New Guerrilla Wave Is Cited" (June 30):

Divert indeed. I thought a "diversion" by force was termed a "hi-jack." Since the Israelis clearly did not rob and plunder the boat on the high seas it cannot be piracy. However, they did forcibly take the passengers to the Israeli port of Haifa. Are the passengers then considered hostages, kidnap victims, or just "suspected guerrillas?"

ANN HUTCHISON, Amman, Jordan.

## Ending Indian Strife

Hindus and Sikhs have for centuries spoken the same language, respected each other's beliefs and places of worship, performed inter-community marriages, and suffered, fought and prospered together. They must now jointly ensure that the just demands of Punjab are acceded to as were those of other states. The evil of communal hatred which is beginning to overtake our two communities must be destroyed with an iron will.

Senseless violence must be condemned. It goes against our norms of humanity and respect for life. It also goes against the teachings of India's sages, gurus, poets and philosophers.

BHAGWAN SINGH, Oslo.

## A Tragic Rehearsal

In his report "U.K.'s Mystery of the Dead GIs" (April 28), commemorating those who died most tragically of all, in the rehearsals for D-Day, Jon Nordheimer wrote: "There is no marker [on Slapton Sands] to the 749 dead of Exercise

islands Joyce's wife, Nelly; the French journalist-author who pirated them from the Cornell University Library and the French periodical that first published them; and of course the publisher as well as the editor of the "Selected Letters," Professor Richard Ellmann.

The fact that I had lunch with Mr. Ellmann means absolutely nothing. We happened to both have been invited by Garland, the publisher, and Mr. Ellmann's presence was not a reason for declining. Complete disagreement with some body does not exclude talking or having lunch with that person, at least not yet.

I will continue to defend the interests of my family and the right of even the most famous men and women to a certain degree of privacy.

STEPHEN J. JOYCE, Paris.

## Boat People's Plight

I am a young, resettled Vietnamese refugee and wish to show my support and appreciation for Henry Kamm's report (July 5) on the plight of the boat people. Thanks for making this sensitive yet seemingly forgotten issue front-page news. Our compassion-fatigued world needs a reminder that such horrors are still being allowed to take place in today's supposedly civilized global community.

If indeed the Thai government gave pirates "a sense of open season on refugees," then the country's international image as the "Land of Smiles" will be tainted.

Thailand's fear of Vietnam is easy to sympathize with and understand. However, its policy should not put the refugees under the same category; after all, these people are seeking freedom from the very regime that Bangkok opposes.

The problem at hand is how to put an end to the barbarity taking place in the Gulf of Thailand.

That Paul Harting, commissioner of the United Nations High Commission for Refugees, lent his name to the denouncement of this shameful crime against humanity is a good start.

But political solutions, deterrents and protective actions are needed to bring this dark paragraph in history to a close. A UN task force may be the best solution to the problem. At any cost, please make the suffering end.

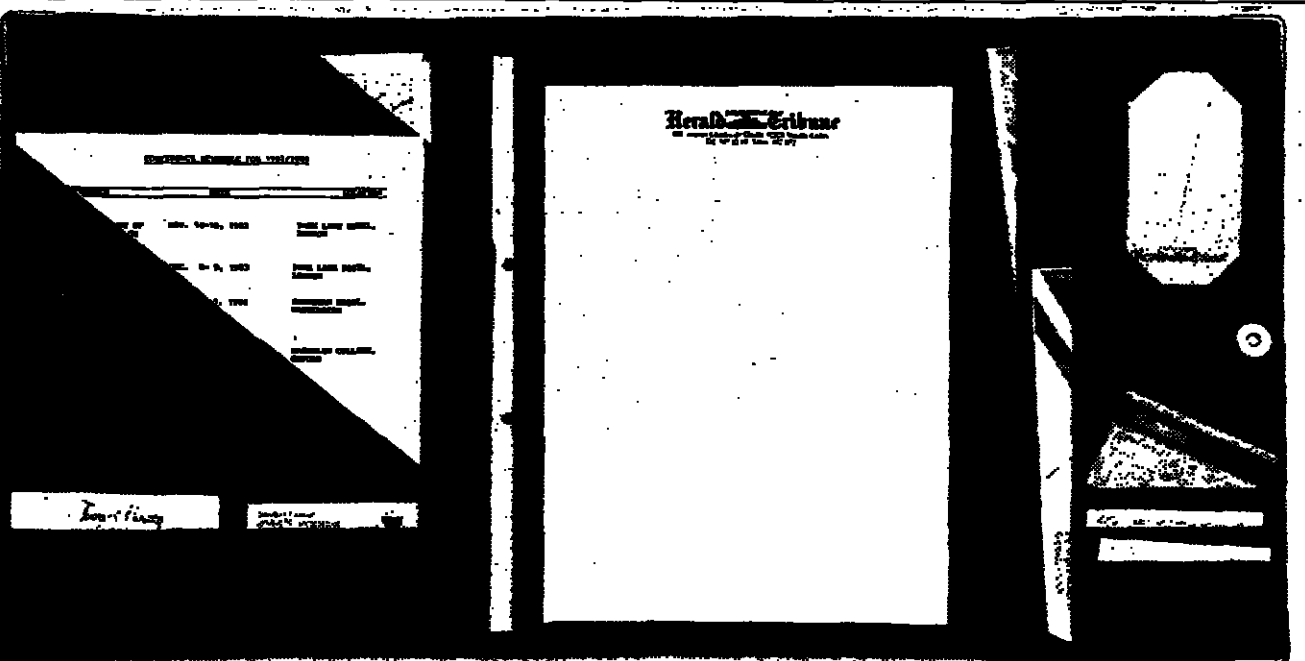
HONG-PHONG B. PHO, Taipei.

## Ending Indian Strife

Hindus and Sikhs have for centuries spoken the same language, respected each other's beliefs and places of worship, performed inter-community marriages, and suffered, fought and prospered together. They must now jointly ensure that the just demands of Punjab are acceded to as were those of other states. The evil of communal hatred which is beginning to overtake our two communities must be destroyed with an iron will.

Senseless violence must be condemned. It goes against our norms of humanity and respect for life. It also goes against the teachings of India's sages, gurus, poets and philosophers.

BHAGWAN SINGH, Oslo.



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Moderator: Hermann T. Fransson, Chief Economist, International Energy Agency

Thomas Burns, Assistant General Manager, Economics Department, Standard Oil of California

Michael Clegg, Manager, Gas, British Petroleum Co. plc

Ion Seymour, Executive Editor, Middle East Economic Survey

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MAJOR OIL COMPANIES' STRATEGIES

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Sir Archie Lamb, Executive Director and Adviser on International Relations, British plc

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Frank G. Zarb, Partner, Lazard Freres & Co. THE FINANCING OF MERGERS AND VENTURES

Carol Ferguson, Oil Analyst, Wood, Mackenzie & Co. William S. Lewis, Senior Vice President and Worldwide Head of Energy and Minerals Group, The First National Bank of Chicago

Yves Ravani, Vice President, Energy, The World Bank UNITED STATES ENERGY POLICY

Donald Hodell, United States Secretary of Energy. THE FUTURES AND SPOT MARKETS: A NEW RANGE OF OPTIONS?

Moderator: Nicholas G. Voite, Oil Consultant, London and The Hague

Ernst Roessgen-Bischoff, Vice President, Europe, Bache Securities Inc.

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# INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

## Shultz's Pacific Overtures

Credit George Shultz with workmanlike diplomacy on his three-week tour of neglected corners of the Pacific. The American secretary of state sidestepped a collision with a new Labor government in New Zealand, mollified Asian allies about U.S. policy on China and brought up the unwelcome subject of East Timor in Indonesia.

On the road, away from the political pressures on the White House, Mr. Shultz was his own man. He pursued a quiet, sensible policy based on shared interests with China, shared values with Australia and New Zealand and shared security concerns with the Association of South East Asian Nations.

Mr. Shultz's hand was sure in averting a conflict with Prime Minister-elect David Lange. New Zealand's Labor Party had just won an election on a platform promising to close the country's waters to nuclear-armed U.S. warships. That would effectively dissolve a 33-year alliance binding New Zealand, Australia and the United States.

After a cordial meeting with Mr. Lange, Mr. Shultz made it plain that nuclear ships would avoid New Zealand's waters for a year. That lifts the pressure from a new government faced with a floundering economy. Australia's year-old Labor government also came to power doubting the alliance's value. With time for reflection, it chose to remain. New Zealanders now have time to think again.

Elsewhere, Mr. Shultz was assuaging fears about American friendship with China. In

Southeast Asia, he found himself explaining the obvious: that a "constructive relationship" with the Chinese can enhance regional stability. Treating China as a potential friend offers the best assurance that it will similarly treat its non-Communist neighbors.

That message was especially important in Indonesia, which accused China of sponsoring a nearly successful leftist coup and broke relations in 1967. Experience argues that China was at its most provocative when most isolated: China ceased supporting Thai rebels when the two countries found common ground in opposing Vietnam's aggressions.

In Jakarta also, Mr. Shultz did the minimally decent by affirming U.S. concern about East Timor. Indonesia invaded that former Portuguese colony in 1975 but the United States has yet to condemn the aggression forcefully. It has said too little about the sufferings of 600,000 Timorese, a mostly Roman Catholic people with a distinct culture. Responding to pleas from Congress, Mr. Shultz delivered an appeal for better access to the territory.

Over the years, Indonesia has granted greater leeway in East Timor to the International Red Cross, UNICEF and the Catholic Relief Services, whose efforts have undoubtedly saved many lives. Congress asks for the admission of journalists and human-rights monitors. If Mr. Shultz has persuaded Indonesia to lower the walls, he will have added a victory for humanity to a productive trip.

—THE NEW YORK TIMES

WASHINGTON — The severe food shortage facing much of Africa may appear to be solely the result of the recent drought, but declining agricultural production has been a serious problem in Africa since 1970. Misguided government policies rather than the weather have been primarily at fault.

Per capita agricultural production in Africa declined by about 1.5 percent per year throughout the 1970s while it was growing at about 0.33 percent per year in developing countries as a group. Many African governments have been able to stay in power despite longstanding policies that discourage food production because they run one-party states that provide no way the populace can compel change.

Although there are differences among individual countries, some common policies can be found in most of the weak African economies.

First, agriculture is heavily taxed and consequently is discouraged. Price controls are used to force farmers to sell food to urban consumers at ridiculously low prices, and a large portion of agricultural export receipts is diverted from farmers to the government through export taxes. Local currencies are badly overvalued, making imported goods cheap for city dwellers but also forcing down food prices. Refusal to deval-

ue such currencies causes large payments deficits and saps foreign exchange reserves.

Governments of such countries typically insist on dominating all decisions in the economy through legal controls and state-owned enterprises; vast numbers of people are employed to staff the resulting bureaucracies.

Tax revenues fail to cover the costs of government agencies and the losses typically incurred by state-owned businesses. The resulting deficits are financed by printing money, encouraging inflation and increasing balance-of-payments deficits.

A dominant condition is that farmers are heavily taxed in order to subsidize an urban sector that consists largely of government employees. The resulting decline in agricultural production has left many African countries with serious food shortages and without sufficient agricultural exports to pay for vital imports. The recent drought has worsened these problems, but they were already serious.

Tanzania has been a particularly striking example of this unfortunate pattern. A recent visitor to Dar es Salaam would have been struck by how badly the currency is overvalued and by

how little there was to buy at reasonable prices. The economy is in shambles, with large sectors barely operating because of shortages of foreign exchange to pay for replacement parts and raw materials. A large tire factory used to earn foreign exchange by exporting but was closed because of a lack of funds to import rubber.

The lack of funds to pay for vital imports has been the direct result of Tanzania's agricultural policies. A 1982 World Bank report indicated that the government paid coffee farmers less than half the fair market value for their output. Rice farmers got less than one-third of market value for their produce. So there was not much coffee to sell abroad, and food must be imported in a country with abundant fertile land.

These anti-farming policies have been maintained despite an overwhelmingly rural population because Tanzania is a one-party state run by an urban elite. Those making government decisions have an obvious interest in maintaining low food prices for city dwellers such as government employees, although intense pressures from the World Bank finally are producing some overdue changes in economic policies.

India's farm sector provides an interesting

contrast to Tanzania's. New Delhi's policies have long been basically pro-agriculture, and include large public investments in irrigation, and tax policies that strongly favor farmers. Despite a far worse population-to-land ratio than prevails in Africa, India has enjoyed sizeable increases in food production during the last decade and is now self-sufficient in food in normal crop years.

The dominant reason for this difference between India and Tanzania is that India is a functioning democracy. Any government in New Delhi that opposed the interests of farmers would not be in power for long. In one-party states such as Tanzania, governments face no such threats from the population. American economists and other self-styled "realists" sometimes support authoritarian governments in developing countries on the grounds that only such regimes can maintain the difficult policies that are necessary for long-term economic growth. The experience of Africa contradicts that argument.

The writer, a professor of economics at George Washington University, has lectured in Tanzania and some neighboring countries. He contributed this comment to The New York Times.

## Democrats: Unity, but At a Cost

By David S. Broder

SAN FRANCISCO — The Democratic delegates left their convention here sky-high. But by the time they have a few days at home, chances are they will come back to Earth, recognizing the challenge they face in electing Walter Mondale and Geraldine Ferraro in November.

The wave of enthusiasm and euphoria that swept through the Moscone Center on the final night of the convention was of jet-stream force. Much of it was generated by the celebration of the feisty Ferraro as the first woman vice-presidential candidate on a major-party ticket.

But there was another first that was less remarked on here than it may be on Main Street. This had to be the first convention where Walter Mondale presented himself as the most moderate spokesman in the Democratic Party. The "new realism" speech the nominee delivered had little of the old-time liberalism in it than almost any other major address in the four days.

From Mario Cuomo's "Tale of Two Cities" keynote, to Jesse Jackson's "boats at the bottom" sermon, to attacks by George McGovern, Gary Hart and Jimmy Carter on Reagan defense and disarmament policies, to Tip O'Neill's and Ted Kennedy's, and Ms. Ferraro's cuts at the "fairness" issue, the Democratic heavy hitters were all swinging from the left side of the plate.

The Democrats forged an unexpected degree of unity in their delegate ranks, but they did so by crowding together in the narrowest ideological range the party has presented to the nation since the political disaster year of 1972.

They left the rightist Ronald Reagan an awful lot of running room to move into the middle before he stumbles over a Democratic roadblock. That is particularly true with regards



to Southern whites, who heard only a typically tongue-tied Mr. Carter speak in their accents, and to young suburbanites, whose hero, Mr. Hart, gave a speech so lame and clichéd that it may be a blight on his hopes for 1988 and beyond.

If this is to be a contest between political philosophies, then Mr. Reagan has a flexibility advantage that he will know how to exploit.

But there are three other dimensions to the coming campaign where the Democrats made progress in San Francisco. People make voting choices for a great many reasons, of which ideology may be the least important. They vote for the party with which they feel at home in cultural or ethnic terms. They vote on the basis of emotional symbols and personalities. And they vote on the basis of specific issues that affect them.

It is in the area of cultural and ethnic diversity that the Democrats now hold potentially their greatest advantage over the Republicans. For

years, the Democrats have been the melting-pot party, with blacks and browns and Jews and Roman Catholics mixed in with the white Protestants they, like the Republicans, generally nominate for president.

But in the last decade, young conservatives have been struggling to free the Republican Party from its country-club image, and with Mr. Reagan at the head of the party, they have made it more Catholic, more Jewish and more ethnic than it had been. This year, there was a special and successful effort to assign more delegate seats to women at next month's Dallas convention.

But the Democrats have trumped them on all counts here, by picking Ms. Ferraro, an Italian Catholic woman, for the ticket. Sensible Republican politicians recognize the potential of her threat.

Where Mr. Reagan has excelled in using the presidency as a symbol, not of diversity, but of national unity and patriotism. The Democrats wise-

ly have decided not to let him monopolize that advantage. Mr. Hart declared: "Mr. Reagan, the American flag does not belong to you and the right-wing Republicans. It belongs to all the people."

And then, there are the issues. The candidates will be fighting over them for months, but let us give Mr. Mondale credit for an effective early shot at setting the issues agenda.

When he said straight out that he would raise taxes to reduce budget deficits, challenging President Reagan "to put his plan for deficit reduction on the table next to mine, and debate it on national television," he was doing what a responsible politician should do.

The challenge can serve to stiffen Mr. Reagan's backbone to lay out his own second-term plans, against the counsel of his more cautious political advisers. At the very least, Mr. Mondale has put that question front-and-center for the Republicans in Dallas.

The Washington Post

## Economy: Not as Bad As All That

By Hobart Rowen

WASHINGTON — Those of us who try to hold Ronald Reagan's feet to the fire when he wanders away from or distorts facts have an obligation to apply the same demand for accuracy to other politicians.

Thus, it should be noted that at the Democratic convention, former President Jimmy Carter, trying to make as much as he could out of the huge federal deficit, twisted the facts.

Mr. Carter said that the federal deficit is accumulating at the rate of \$1 billion "every working day." Assuming 50 weeks of five working days a year, that would be \$250 billion. But the deficit is now estimated at about \$180 billion, and is likely to show up as less in the upcoming mid-year budget review.

The best speech of the convention was a ringer of a keynote address by Governor Mario Cuomo of New York. But it was marred by some unnecessary exaggerations.

On an emotional level — the charge that Mr. Reagan pursues a pro-rich, anti-working-class program — the Cuomo speech may be a good source document for lesser orators this fall. But 1984 is not 1932. There is great wealth in the nation, even if those at the bottom have not shared equally in its distribution. To say, as Mr. Cuomo did, that the nation is cut in half between "royalty and the rabble," is just not true.

The Democrats are trying to make the economy sound worse than it is. As luck would have it, everything is breaking right for Ronald Reagan, even though there are serious problems just below the surface.

These include the enormous budget and trade deficits, high interest rates that threaten business investment and modernization, and an overvalued dollar that is costing overseas markets for U.S. manufacturers.

Then there is a huge debt overhanging the international financial system — and the transformation of the United States from its role as a creditor country to that of a debtor. And as we rely on a flow of capital into the United States to finance the budget deficits, more and more of the national debt is owed to foreigners.

None of these problems was addressed in San Francisco. Instead, Democratic leaders tried to make an issue of a non-issue, the present state of the economy.

For all the "families in trouble" cited by Mr. Cuomo, many more are doing well. It is true, as he said, that "two years of massive unemployment" explains the drop in inflation. But it is also true that the unemployment rate has come down to 7.1 percent, and probably will keep falling. And the huge deficit, fueled by the exorbitant tax cut that both parties helped to pass in 1981, is stimulating a sharp recovery in which most of the nation is participating.

The only potential snag in all this for Ronald Reagan is high interest rates. If financing costs make it impossible to buy a home or a car, then the effects of a budget deficit become clear. But that has not happened yet. From all signs, the business recovery will continue strong, and an overvalued dollar will help keep inflation down for the rest of 1984. The serious problems start in 1985 and 1986.

For those problems, the Democrats presented no answers in San Francisco.

The Washington Post

## At Issue in Israel's Election

Foreigners observing another country's moments of decision chronically project upon them their own special agenda. So it is now in respect to Israel's election Monday. A familiar clutter of issues and personalities stands before Israel's voters. In many foreign parts, however, there is almost palpable impatience to the election to be a definitive showdown — and one resulting in a defeat for the incumbent Likud — on the key issues of the West Bank. The election could yet turn out that way. But we outsiders need to observe it cautiously, so as not to be misled by the results.

Looking at the dissension over the Lebanon war and the dissatisfaction over the economy, one might think that the Likud bloc would now surely have to pay a penalty at the polls. The Labor opposition's disabilities of record and leadership, however, are old hat to Israeli voters. The plethora of single-issue small parties further complicates the country's capacity to speak in a clear voice, and any new government's capacity to govern.

Still, the Israeli voters' choice will be critical

on the key matter. Likud, if it wins, can be counted on to conduct a more-of-the-same grip-tightening policy on the West Bank. Labor is no less certain to try trading most of the territory for a new political tie with the Palestinians who live there, and with Jordan.

One way to put it is that this election will take Israel's further, perhaps crucial, step on the road of defining Zionism. Another way to put it is that this election will determine whether the region moves toward war or peace.

Democracy is the deepest common bond between Israel and the United States. But there is no use pretending that any choice Israel makes is all the same to America.

The United States will be faithful to Israel no matter what happens Monday, but Labor's success would open up a substantially more promising vista for U.S. foreign policy — assuming that Labor had the appropriate and necessary Arab partners. No choice made in Israel means much if Arabs do not make a parallel choice of their own.

—THE WASHINGTON POST

## Syria's Peculiarly Ambivalent Attitude to the U.S.

By Joyce Starr

DAMASCUS — A Frenchman has written that there are only three things unfathomable to man: God, women and Syria. The contradictions in Syrian attitudes toward the United States are a case in point.

"Despite the fact that we bombed them, castigated them, and their government press spewed some of the nastiest propaganda — literally accusing Robert McFarlane of running around Beirut planting bombs — the Syrians actually like Americans," said a U.S. official who travels frequently to Damascus. "When an American shows up in Syria, it's 'Come to dinner, stay in my home, marry my daughter.'"

While Americans stationed in Damascus move about the city as they please, Soviet diplomats face tight restrictions. Despite the 1980 Soviet-Syrian Friendship Treaty, \$2 billion in Soviet arms aid, and the presence of as many as 7,000 military advisers on Syrian soil, Soviet citizens are expected to remain within their compound except for essential shopping, and even then must limit their interactions with Syrians.

"The Soviets understand that we need them," confides a well-placed Syrian, "but that this doesn't mean we like them. The distinction has been made very clear."

"We are interested in pursuing a dialogue with the United States, and we have kept it going," said Foreign Minister Farouk al-Sharaa in an interview. "It is in the minds of American officials to interrupt our relations, it was never in ours." Are the Syrians reverting over the U.S. defeat in Lebanon? Mr. Sharaa responds carefully: "We

are glad that we succeeded and that the other Arab countries know that the American policy in the region is built on sand. But do you really think we are stronger than the United States? The problem is that America is not weak."

U.S. diplomatic sources in Damascus say that President Hafez al-Assad did not "plot" over the cancellation of the May 16 Israeli-Lebanese agreement, and that Americans who later visited Mr. Assad found him conciliatory. "He kept telling them, 'Bring me a diplomat — why not diplomacy?'" a source said.

Mr. Sharaa insists that Mr. Assad "is among the very few leaders who honor their word to foreign guests" — a view that seems to be widely held by a decade's worth of American negotiators, quite apart from appraisals of Assad policies. "But believe me, if we publish his interviews with American envoys, it would be a (cause of) great national pride to Syria and a catastrophe to the United States, because the Americans lied, saying one thing while doing something else."

The Syrians are still seething, he said, over being treated by the United States as a "small country" with only minor interests in the region. "At one point I heard it directly from an American official — as if the oil is theirs and not the Arabs, as though it's not strategically important to us, as though our people are not like other human beings and one American is equal to a thousand Syrians. The impression conveyed by

Americans dealing with the situation is that we are the ones who came from a thousand miles and they are the next-door neighbor."

At the same time, Mr. Sharaa and other Syrian officials are sending a pointed message about the bombing of the U.S. Marine headquarters in Beirut. "We were ready to issue a statement regretting the bombing, when Mr. Weinberger attacked us. So we threw it away, because then surely we would appear to be the guilty party. Does Washington really believe that we control everything, that we are that powerful?"

But the bottom line for Damascus is U.S. ties to Israel. "If the American public would know the tangible facts, even if they admire Israelis as human beings, as people, I do not think they would accept Israeli policy," Mr. Sharaa said. "What we want is for the United States to be fair, to accept international law and the United Nations resolutions the U.S. itself voted for."

The Syrian ambivalence toward the United States is perhaps best captured by the experience of an embassy staffer who found himself at a village cafe during the first radio alert last October of the U.S. shelling of Syrian positions.

After putting him through a 30-minute harangue on the "arrogancies of Washington," the local citizenry insisted on paying for his lunch.

The writer, who is director of the Near East program of the Center for Strategic and International Studies at Georgetown University in Washington, contributed this comment to the International Herald Tribune.

## If Labor Wins, It May Seek Quick Palestinian Solution

By Philip Geyelin

WASHINGTON — U.S. diplomats have quietly passed this counsel to Jordan's anguished King Hussein: If the Labor Party wins Israel's election on Monday, don't just stand there; be ready to say something positive on the Palestinian issue. A Labor government just might have good reason to want to start talking — and soon.

Behind this guidance is no more than a hope, which is all you are entitled to on the grim merry-go-round of the Arab-Israeli conflict.

Thus, some diplomats say that the Carter administration did not follow up hard enough on its Camp David triumphs, dooming them to the untender mercies of a do-nothing Reagan administration.

When the famous Reagan initiative finally was brought forth on Sept. 1, 1982, the Israeli cabinet slapped it down by a unanimous vote the next day, arguing (wrongly) that it violated Camp David by its "preference" for some ultimate federation of the West Bank and Gaza with Jordan. King Hussein wrestled for

seven months with the problem of arranging Palestinian support for his proposed role in the process. But then he too backed off.

The deadlock tightened as the United States 1) restored closer "strategic cooperation" with Israel, 2) squandered most of its remaining influence in the Arab world by stumbling into Lebanon and then bugging out, and 3) got lost in domestic electioneering — as did Israel.

But the Israeli campaign has raised issues and crystallized opposing positions enough to give it the look of a potential turning point. This is not because, in their complex and diverse makeup, the governing rightist Likud and the Labor crowd represent crisp alternatives on all issues. But, as the "Economist" of London has observed, "The gut feelings" of the two parties are different.

At the root of the difference is history, the original sense of the Jewish state that Israel was supposed to be; and also the hard numbers of

Israel securing more defensible borders by keeping about one-fifth of the territory, with the rest returned to Jordan. He is willing to open talks with Hussein, the Egyptians and Palestinian representatives.

There lies the opportunity. Labor would be no less challenged than Likud by Israel's economic calamities. But some U.S. experts believe that a new Labor government might turn first to a Palestinian initiative, saying it would be in no position to do so after it had run down its political capital on painful austerity measures.

Even if Hussein were ready to pick up on a Labor initiative, what about the United States? Perhaps, after the election, a triumphant Ronald Reagan could play mediator. Perhaps a triumphant Walter Mondale could ignore the strictures of a platform that binds the Democrats to Israel.

But the best hope may lie in the record. Only when the United States had run out of ideas and influence in 1977 did Anwar Sadat, with Menachem Begin, take the plunge.

Washington Post Writers Group

## LETTERS

### Whither the Court?

In response to the opinion column "Do We Now Reassess the Court?" (July 10) by Anthony Lewis:

We should look to the electorate to protect the integrity of the Supreme Court by selecting the right chief executive. The most important issue in the presidential race is who will fill future vacancies in the court.

MATTHEW B. HORWEN

Dakar, Senegal

Regarding the report "U.S. High Court Turns Sharply Right" (July 9) by Linda Greenhouse:

Ms. Greenhouse gives the impression that the Supreme Court votes for or against the administration rather than deciding each case according to its interpretation of the law. If one is to be sincere in disagreeing with a decision one should attempt to rebut the court's reasoning. This was not done in even one case of the 150 decisions cited.

K.H. HECHT

Solna, Sweden

(More letters, Page 5)

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# ITALY

A SPECIAL REPORT

MONDAY, JULY 23, 1984

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## Inflation Remains Threat to Economy

By John Phillips

ROME — Government officials measured the Italian inflation rate at 11.2 percent last month, but it remains to be seen whether Prime Minister Bettino Craxi will achieve his target of bringing the rate down to 10 percent by the end of the year.

Inflation was 13.7 percent when the Socialist prime minister took office in August 1983 but many economists believe efforts to crack down on government spending have been too little, too late.

The ruling five-party coalition won a victory against the opposition Communist Party and affiliated labor union leaders last month when the parliament at last approved a temporary incomes policy freezing the protection accorded workers' salaries from inflation under the *scala mobile* indexation agreement.

But Carlo Ciampi, governor of the Bank of Italy, said the government needed a period of several years during which tax revenue would grow more quickly and public spending more slowly than gross domestic product.

Lack of control of public spending is the most serious problem the economy faces, Mr. Ciampi said. "There is no mysterious canker affecting the Italian economy," he added.

Presenting the annual report of the central bank, he warned that, though an economic recovery has begun in Italy, led by a growth in exports, inflation is falling too slowly.

Mr. Ciampi said the battle against inflation must remain the principal objective of economic policy in order to ensure lasting growth and fight unemployment.

About 12 percent of the labor force, including workers on state-subsidized layoff, are officially out of work. The true figure could be much higher, many economists believe.

What is needed, Mr. Ciampi said, is a period during which growth of public spending is kept to 2 percent below GDP and that of taxation 3 percent above. Thus the deficit would decline as a proportion of GDP and the burden of debt diminish. If such a formula is not adhered to, accumulated debt will come to exceed GDP, Mr. Ciampi said.

The public-sector deficit was 16.5 percent of GDP in 1983, way ahead of other industrialized countries. The domestic public-sector debt rose 25 percent a year in the last 4 years.

There have been other calls for a longer-term approach. In early June, for example, a senior economic official made a scathing attack on the system of economic management and planning in Italy.

Enzo Grillo, general secretary for planning at the Budget Ministry, criticized the way the government draws up the budget and what he

(Continued on Next Page)



Basilicata farmer Vito Chiefa during the harvest.

## Bare Survival on the Farms

By Letta Taylor

MIGLIONICO, Italy — Most farmers in this region say that when they die, their land will die with them.

In villages like Miglionico, tucked into the rugged mountains of the Basilicata in southern Italy, the men's backs are bent by more than 60 years of tilling and harvesting.

The central village squares are empty apart from black-robed women knitting socks and groups of men playing Neapolitan card games. They speak in a dialect their grandchildren have refused to learn.

Few young faces remain except those in aging mantelpiece photographs. They show sons and daughters who left decades ago for jobs at restaurants along the Mediterranean coast, at the Fiat factories in Turin, or further north in West Germany or Switzerland.

"If I were young I'd leave this place and never come back. Farming is too risky," said Giovanni Burattorio, gesturing with hands calloused by 65 years of growing wheat on a three hectare (7.4-acre) plot in Miglionico. "The young people are right to look for jobs elsewhere."

"We are cows and the land drinks our milk," said Vito Chiefa, a wiry 67-year-old. He claims he puts more money into the unyielding soil than the wheat he cuts with a sickle earns back. "There is no future here."

Basilicata is one of a half-dozen regions in southern Italy populated by farmers like Mr. Burattorio and Mr. Chiefa, whom Franco Ferrarotti, a professor at Rome University and one of Italy's leading sociologists, calls a dying breed.

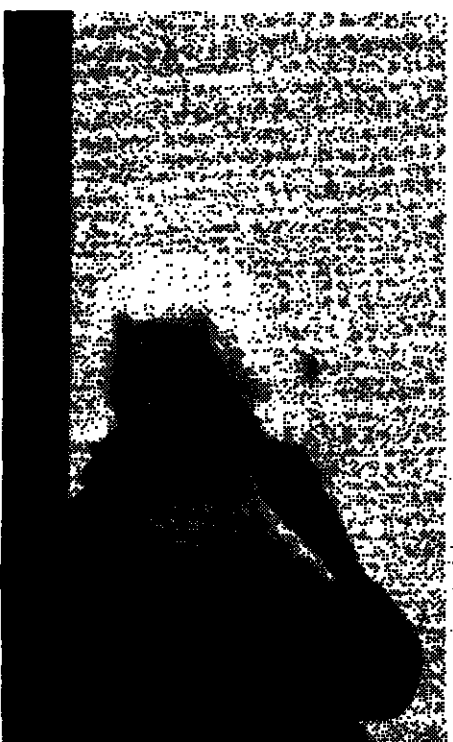
"The traditional small-holding farmer will last another decade or two, increasing his debts," Mr. Ferrarotti said. "He is competing with a sickle against the giant agribusinesses of the northern Common Market countries."

At 77, Mr. Burattorio still walks three kilometers (two miles) to his plot each morning at dawn and back to the village as darkness falls. He has no car, calling the automobile a "useless invention," and shuns the use of a mule, a common means of transport in the Basilicata hinterland.

Like most farmers in the region, he grows wheat to sell and cultivates grapes, olives and vegetables for his own use.

"This is our wealth," said his wife, Maria. She gestured with a broad arm at jars of homemade wine, olive oil and thick tomato sauce that fill the shelves of their three-room cottage. "But our children wanted a different life."

The room where the Burattorios' five children slept is empty. A black-and-white television, vintage 1960, is the couple's most recent purchase for the house.



A woman in Miglionico.

Mountains covering 90 percent of the region and twisting, one-lane roads have isolated Basilicata from Italy's postwar industrial development. Farmers make up 32 percent of the work force, the largest percentage in any Italian region. But scarce irrigation for the arid soil and the small size of holdings have kept agriculture at a subsistence level.

With an average wheat holding of four hectares, a Basilicata farmer earns no more than 4 million lire in a good harvest. That entire sum, plus a European Community subsidy of 100,000 lire a hectare of wheat, is often absorbed by the costs of seed, fertilizer and rental of tractors and other equipment most farmers cannot afford to buy, agricultural officials say.

In a major effort to develop Basilicata and other southern agricultural regions, the government created a semiprivate bank, the Cassa per il Mezzogiorno, to pump money into the south. Since 1950 the bank has spent 150 trillion lire to build high-

(Continued on Page 9)

## Chaotic Italian Politics Masks National Stability, Continuity

By Henry Tanner

Mr. Tanner has just completed an extensive reporting tour in Italy.

IT HAS never been more obvious than this summer that Italy cannot be judged by the same political standards as other countries. Contrary to appearances, it is a country of extraordinary political stability and continuity.

It is the only major democracy in which for almost 40 years the pendulum has never been swinging back and forth between left and right, capitalism and socialism or, simply, government and opposition. Its governments have rarely lasted longer than nine or 10 months but they always have been dominated by the Christian Democrats ruling alone or in coalition with a shifting line-up of smaller parties.

The fall of governments has almost never brought sharp changes of policies, which on the whole have been pragmatic and opportunistic—pro-Western abroad, capitalist-with-social-conscience at home and based on a wide consensus. Since the Christian Democrats are not so much a political party as an amorphous movement consisting of a dozen odd miniparties dominated by competing leaders, each Christian Democratic prime minister has first had to find a consensus within his own party, then negotiate a consensus with the other coalition parties and finally obtain, still through negotiation, support or at least acceptance from the opposition Communist Party and the labor unions.

The result of the consensus was often the lowest common denominator of the wishes of all the major political groupings in the country, with the exception of the neo-fascist Italian Social Movement, which has never been allowed to join the consultation even though it has consistently come in fourth or fifth in national elections. Often the inevitable result of these long-

drawn-out attempts to reach consensus has been inaction and paralysis by successive governments.

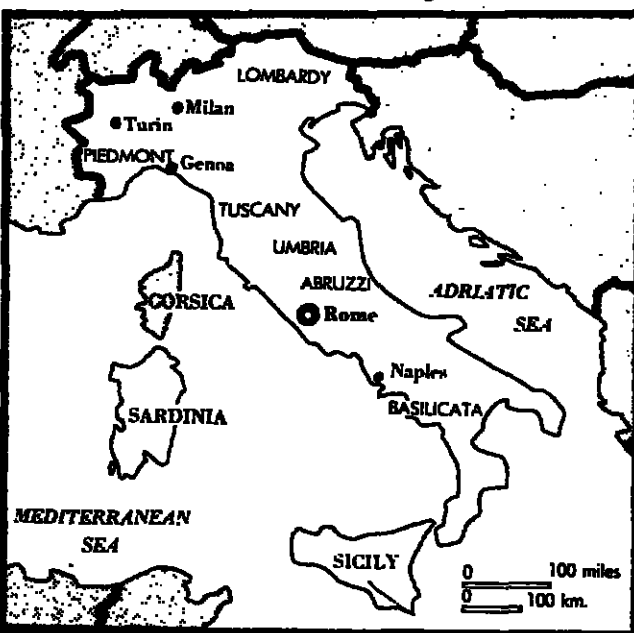
The pattern was set in the 1940s, when the voters established the ranking order of the leading parties. They put the Christian Democrats first, at that time with 48 percent of the vote. The Communists and Socialists, who were united in a national front at that time, together received 31 percent.

Basically, this balance never changed. The Christian Democrats remained first until this summer. But their power has been eroded seriously over the last decade and has dropped to about a third of the electorate. The Communists have been the perennial close runner-up, and the Socialists have been a distant third. The news this summer was that the Italian voters came very close to breaking this 40-year-old pattern.

They handed a victory to the Communists in the European Parliament election June 17. For the first time since World War II, the Communist Party overtook the Christian Democrats in a nationwide vote—but only by the slimmest of margins, about 100,000 votes out of a total of 34 million. In a local election in Sardinia a week later, the voters once more relegated the Communists to second place and gave first place to the Christian Democrats.

In the European election, the voters handed a clear-cut election defeat to the Socialist prime minister, Bettino Craxi, the only man in the country who has made it quite clear that his ambition is to break the existing political balance by cutting into the power of both the Christian Democrats and the Communists and setting his Socialist Party up as a really powerful third force.

Mr. Craxi could hope to achieve his dream only if the Socialists made huge election gains and broke through to 15 percent of the



Label: Curb-Mounted 771

vote, or more, from the 11-percent level at which they have been stagnating for the last 15 years or so.

Not unreasonably, Mr. Craxi had hoped that the voters would reward him for the show of decisiveness and combativeness that he had put up during his 10 months in office. Instead, they held him at just over 11 percent—a fraction of a point lower than in last year's election.

The result was to enhance the power of both the Christian Democrats and the Communists and to free these superparties of the need to worry much about a third force.

Many politicians and commentators concluded that the electorate wanted to preserve not only the balance of power between the parties but the 40-year-old habit of reaching major government decisions through negotiation and the widest possible consensus, even if that meant inaction in the end.

Members of Mr. Craxi's own divided party said after the election that the voters had punished him for seeming confrontational and arrogant. Even before the election it had become clear that he had alienated his coalition partners.

The Christian Democrats and Republicans complained that he was trying to boost his power and that of his party at their expense rather than working in the interest of the coalition. The Christian Democrats' party secretary, Cirilio de Mita, observed acridly on television that some people who controlled 10 percent of the vote were behaving as if they controlled a majority.

It is one of the paradoxes of Italian politics that Mr. Craxi's troubles with his center-right allies started when he provoked a showdown with the Communists. Last February, when negotia-

(Continued on Next Page)

## Saving National Treasures From Earthquakes

By Susan Lumsden

ROME — The fortunate absence of human tragedy during Italy's earthquake-rocked spring turned some thoughts to the protection of the country's earthquake-vulnerable monuments, the mainstay of the gross national product with the tourist revenue they generate.

In the three major areas affected by earthquakes — Tuscany, Umbria and Abruzzi — the greatest artistic damage occurred in Gubbio, Umbria, on April 29, when the magnificent medieval Palazzo dei Consoli was cracked during a tremor that measured seven degrees on the nationally used Mercalli scale.

The historic churches of Sulmona, Abruzzi, are closed because of structural weaknesses resulting from the April earthquake. In Tuscany, however, the tower at Pisa is still leaning miraculously at the same angle after the earthquakes.

Italy is one of the world's major zones of seismic activity. Yet, unlike other such zones, notably California and Japan, it has perhaps the highest concentration of famous art and architecture in the world. This combination makes it a unique laboratory for architects and engineers.

It was believed to have been an earthquake that triggered the volcanic eruption of Vesuvius that buried Pompeii in A.D. 79. Earthquakes are recorded in Rome about every 500 years, the last one being in the 1580s. Old people today talk about the terrible earthquake of Messina, Sicily, in 1908, when 30,000 people were killed, many in the resulting tidal wave.

Although Italy was one of the first countries in the world to put

earthquake regulations into the building code, in 1910, only last year was there a study concerning the protection of the country's artistic heritage.

"It was probably the earthquake damage done to the cultural monuments of Naples during the 1980 earthquake that awakened Italy to the constant danger facing all its monuments," Pio Baldi, an architect and director of services of Rome's Istituto Centrale di Restauro, said during an interview that had been postponed because of a landslide on the Florence-Rome rail line.

"Our study was based on the new seismic map of Italy expanded to include 80 percent of the national territory after the devastating earthquakes in Friuli in 1976 and in Irpinia in 1980, the one that so affected Naples," Mr. Baldi said.

The institute's study was also transformed into an exhibition on art and earthquakes, scheduled to reopen Sept. 29 in Palermo after having shown at the institute in Rome. Now the institute is working on a combined map of the areas of greatest artistic density with the zones of highest seismic intensity, so that restoration can be promoted in high-risk zones first, Mr. Baldi said.

"Unfortunately, Italy has never had an earthquake control plan for monuments or people, only hazardous interventions," he said. "We have no guarantee that our study will be enacted as government policy. This is a typical tragedy of Italy." The institute's funding is included in the Department of Cultural Property budget, which is a meager 300 billion lire.

Since 1975, he said, all new buildings have been required to be built with reinforced concrete and steel for earthquake resistance. The problem is the old buildings.

"I suppose you could put steel girders around Giotto's tower to reinforce it in the event of an earthquake and prevent untold masses from being killed by falling marble," Professor Augusti said, "but

Happily, the three Italian cities richest in art — Rome, Florence and Venice — are in low to medium earthquake zones. The highest-risk zones, in Friuli, the Apennines, Calabria and Sicily, tend to have less art. Yet all Italy is a museum, Mr. Baldi said, and one can never tell exactly where or when earthquakes will occur. Parma, an architecturally splendid city in a low-risk zone, was severely shaken two years ago. Rome, although never an epicenter, has been effected by earthquakes to the south.

"An earthquake is much more potentially damaging to art than floods," Mr. Baldi said, "because it can provoke landslides and tidal waves. A flooded painting you can clean up, dry out and restore where necessary. You can even rebuild a house. But a shattered monument, a great building or statue, is one of a kind and can never be replaced."

In fact, however, there is more potential danger to Italy's monuments from pollution, according to Professor Giuliano Augusti, head of the University of Florence's engineering department, where structural engineering students are obliged to take seismology courses. Professor Augusti is also an editor of a new magazine on seismic engineering.

Since 1975, he said, all new buildings have been required to be built with reinforced concrete and steel for earthquake resistance. The problem is the old buildings.

"I suppose you could put steel girders around Giotto's tower to reinforce it in the event of an earthquake and prevent untold masses from being killed by falling marble," Professor Augusti said, "but

you'd have an awful battle with the art historians. As far as I'm concerned, the best earthquake prevention is good conservation, not anti-seismic restructuring, which is unrealistic aesthetically and economically. Old buildings that collapse during earthquakes are usually crumbling anyway."

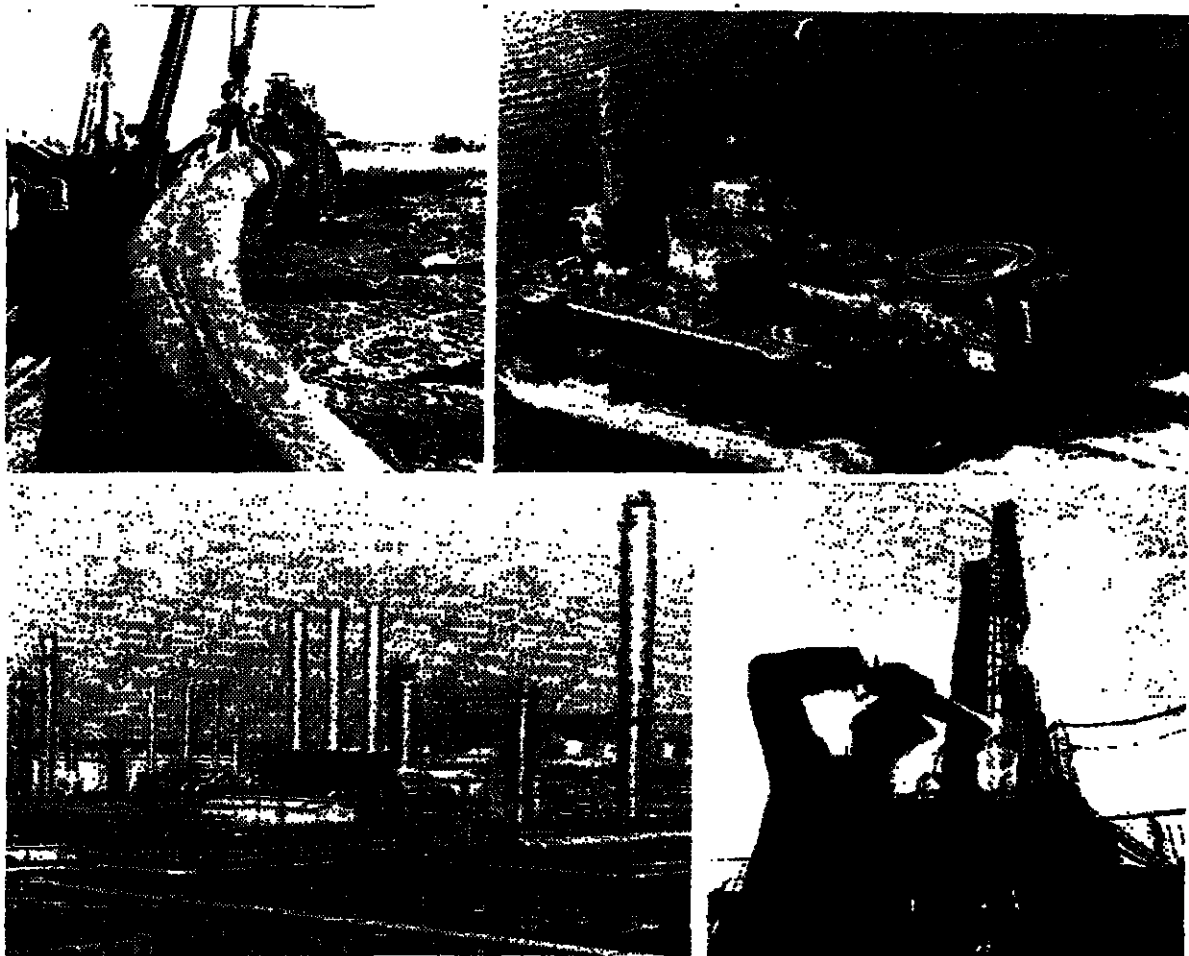
A Florentine diagnostic engineer, Maurizio Seracini, said the ideal solution would be thermovision studies of all important buildings to show internal lesions needing repair. Thermovision is also useful for studying frescoes, the form of art most vulnerable to earthquakes. Mr. Seracini made the first thermovision analysis of the Giotto frescoes in the church of San Francesco in Assisi just before the Umbrian earthquake of 1982.

Although a before-and-after thermographic comparison would have helped restorers, Mr. Seracini said he was not consulted after that quake. "Thermovision studies are very expensive," he conceded, "and to do them on thousands of ailing monuments would be prohibitive."

Giorgio Croci, the engineer in charge of what is probably Rome's first anti-seismic restoration, the Palazzo Tabularium behind the Campidoglio, has less faith in thermovision. "Its heat patterns are useful for studying newer structures where materials are quite uniform, but the Tabularium dates back to 60 B.C. There's everything in it. What we need to determine is the earthquake resistance capacity of each type of building material — brick, stone, stucco, whatever — and restore it accordingly."

Mr. Croci and colleagues have

(Continued on Next Page)



## INTERNATIONAL CO-OPERATION. A STEP IN THE RIGHT DIRECTION

Companies of the ENI Group are constantly working toward this end in all continents of the world.

Today, through the supply of goods and services, over one-third of the total revenue of the group is derived from sources outside Italy. Because of their advanced technology much of these have been incorporated into the industrialization and development plans of many countries, thus helping Italian products to be a moving force in the international market.

ENI Group company activities encompass: all aspects of the energy sector; the chemical industry; engineering and services; mechanical manufacturing; textiles and textile machinery; mining and metallurgy.

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A SPECIAL REPORT ON ITALY

## Getting to Know the Wine in Piedmont

By James M. Johnson

**GRIZZANE CAVOUR** — Piedmont, in Italy's northeastern corner, is one of the country's leading wine-producing regions — in terms of quality, if not quantity — as well as one of its most scenic. The Piedmontese have sensibly capitalized on both features in a program that gives visitors a chance to get acquainted with the wines, as well as to view some spectacular countryside off the beaten track. A series of wine routes, set up and signposted by the regional administration, traverses all the major winemaking areas. And along them are six, soon to be seven, establishments called enotecas, where the wines of one area or of the entire region can be inspected, tasted and bought by the bottle.

Piedmont enjoys an absolute lead over the other 19 Italian regions with respect to the number of enotecas functioning or planned. Several regions have only one and many have none.

The economic importance of winemaking accounts in great part for the region's enterprise. Another factor is its large number of wine types, ranging from the lordly, internationally known and acclaimed Barolo and Barbaresco through the entire list of 37 "controlled" wines

to the plebeian and rough-edged Barbera.

Those at the top of the list need no touting, but many at the lower end of the scale are only vaguely known outside the region. The wine routes and enotecas provide an in-depth introduction to all 37.

Attached to most of the enotecas are restaurants where traditional dishes of Piedmontese cuisine, a rich and hearty fare that responds to townsmen's tastes and mountaineers' appetites, are served along with the wines featured by the enoteca. The restaurant prices are usually quite reasonable by current standards, and the customary mark-up on the wines is 50 percent above the enoteca prices.

The enotecas are open to all producers of the region or district, depending upon which wines the establishment promotes. All the wines are subjected to laboratory analysis and review by tasting commissions. They are admitted to the enoteca shelves only if they meet fixed standards of quality.

In nearly all cases, the enotecas are installed in historic buildings that were acquired and restored for the purpose.

The most interesting enoteca, at least historically, is the one in the towered brick castle that dominates Grizzane Cavour, a minute hillside

village eight kilometers (five miles) southwest of Asti in south-central Piedmont. The castle was built in the 13th century and remodeled in the 17th. It belonged to the family of Count Camillo Benso di Cavour, one of the founders of united Italy and its first prime minister.

The count personally disposed of a good quantity of wine in his time. But he also, as an enlightened producer, greatly improved the quality of Barolo in the 1850s by enlisting the services of a noted French enologist, Louis Oudart. Winemaking reforms introduced at Grizzane greatly influenced production throughout the region. There are still vineyards on the steep slopes immediately below the castle and village.

A museum of rural life has been set up in another part of the building and a restaurant serves local specialties. Only Barolo and other wines of the Alba district are displayed and offered for tasting and purchase at Grizzane Cavour.

The first wine to bear the name Barolo was made in the cellars of the castle of the Marchese Falletti at Barolo, an overgrown village a few miles southwest of Grizzane Cavour. A tall stone structure with a crenellated roofline and small brick towers, the castle today houses an enoteca, a small museum

and a hotel school. The enoteca is operated by the 11 communities of the Barolo-producing area and only that wine is available in the establishment's tasting room and salesroom.

Another castle, a bulky stone cube with corner turrets, at Castiglione d'Asti, about 13 kilometers east of Asti, contains an enoteca featuring wines selected in the annual Douja d'Or wine contest.

The wines of the Monferrato in east-central Piedmont are emphasized at the restored Palazzo Calori at Vignale Monferrato, about 32 kilometers northwest of Alessandria. There are products from other districts as well in the vast cellars of the palazzo, an 18th-century mansion built of volcanic stone and brick. A restaurant on the ground floor spills out in summer into the large, sunny courtyard, from which there is an impressive view of the vine-covered hills.

Numerous communities and groups of producers throughout the winemaking districts of Piedmont also operate cooperative wineshops where the local output can be sampled and purchased at reasonable prices. Most of these operations have been endorsed by the regional administration and are marked on the wine routes.

# THE STORY OF A NEW BANK

## Suggested reading for international bankers

### Our first Annual Report

The exceptional factors related in our first Annual Report describe events which are probably unique in the long history of banking in Italy.

The circumstances of our foundation, the problems arising how they have been tackled, the results so far, and plans for the future, are openly explained.

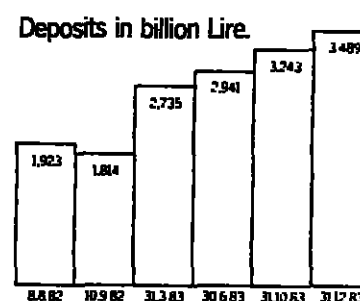
If you have not already read the recently issued English language version of this report, we will be pleased to send it to you.

### Client confidence

Our success in building up confidence within the Italian market can be clearly demonstrated by two operations:

A warrant scheme was launched in July, August and September 1983. This allowed small shareholders in our predecessor bank (over 30,000 in number) to apply for options to subscribe to an additional 150 billion Lire in capital on May 1985. Requests received represent 94.5% of former shareholders.

Deposits are a reliable indication of client confidence. From a low of 1,923 billion Lire at our foundation, except for a temporary drop, our deposits have steadily increased at a pace greatly in advance of the rest of the Italian banking sector. At 31st December 1983 the total exceeded 3,480 billion Lire.



**NUOVO BANCO AMBROSIANO**  
ESTABLISHED 1982

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## The High Drop-Out Rate in Education

By Kathleen Carroll

**ROME** — Every year, nearly a quarter of a million students enroll in Italy's universities. But only two-thirds of those students regularly go to class, and authorities estimate that as few as 10 percent will graduate on time, if at all.

Why does the country recognized as having one of the most liberal enrollment policies in the West also have one of the highest drop-out rates?

"There are many, many more students who register for university than actually attend university," said Fabio Matarazzo, head of the university department in the Ministry of Public Instruction. "Some of the students are not well-prepared for the university," he said. "This is the problem."

Students need only a *maturità*, a document proving they have completed four to five years of secondary school, to register for university in Italy. Unlike most other systems, including those in Britain, France and the United States, there are no admissions tests.

"It is difficult to tolerate the present situation, probably unique in the world, allowing each high school graduate to be admitted to every type of university, which implies a large waste of time," a Rome University education professor, Aldo Visalberghi, wrote recently for *The International Encyclopedia of Education*.

In 1977, the last year for which complete figures were available, 29.2 percent of Italians between ages 20 and 24 were enrolled in universities, a rate second only in Western Europe to Denmark's 30.2 percent.

But just 9.4 percent of the students in Italy received first-level degrees in 1977, one of the lowest figures in the West, according to a recent report on Italian education compiled for the Organization for Economic Cooperation and Development.

Mr. Matarazzo estimated that as many as 220,000 students register every year but that fewer than half ever take degrees. And the OECD report estimates that 90 percent of the students who receive a *Corsi di laurea* take longer than the prescribed four to five years to reach that degree.

"It's very hard to say why" they drop out, Mr. Matarazzo said. "There are various reasons — personal, family, disillusionment with the university, maybe personal frustration. And maybe the student has found a job."

Part of the problem, Professor Visalberghi said, is that students are given a *maturità* without first passing a standardized exam. A student who has studied the classics for five years in secondary school, for example, is ill prepared to study medicine at the university. As in most European university

systems, students generally are not required to attend classes, which are almost exclusively lectures with limited lab work. Of the 1 million students enrolled this year in Italy's 44 state universities, Mr. Matarazzo estimates that 30 percent do not attend class, though the figure is as high as 80 to 85 percent at the university in Bari on the Adriatic coast.

"Who knows why," Mr. Matarazzo said. "But... one of our major problems is that many students would rather work than study. Some may come back in a year... or they may not come back at all."

"There are some in my classes, they never, never attend the lectures," said Daniel Sidi, 23, a medical student from Ethiopia. "It is difficult to find all the time — four hours of lecture in the morning plus labs in the afternoon. But for me, I prefer to go to the lectures."

"I think if I go to the library to study, I will study more and better than when I go to the class," said Mazen Citi, a 24-year-old Palestinian. He said he found it difficult to concentrate in a lecture hall filled with 300 other medical students. "So, many times, I go to the library instead."

Whether or not a student attends class, he must pass an examination to progress. But even if a student skips the examination, they may be retested later, Professor Visal-

berghi said. Consequently, he said, "very, very few" students ever fail.

"Usually, you have one-half to two-thirds who guess their way for the exams," he said. "It's self-selection. Those who do take the exam generally do well."

The doors to Italy's universities swung wide in 1969 with a law that admitted all students who had completed upper secondary school. Who it gave thousands of Italians and foreign students their first chance at higher education, the law also created a number of other problems that are only now being resolved.

Universities expanded rapidly to keep up with the enrollment explosion and classes quickly swelled to unmanageable sizes — sometimes more than 400 students each. Many students had little, if any, personal contact with professors.

Mr. Matarazzo said the ministry was trying to close the gap between secondary schools and higher education by requiring the lower-level schools to offer more generalized courses. But, as he and Professor Visalberghi agree, Italy's education system still is undergoing "a great change."

"We went from a more elite system to a more open university for all," Mr. Matarazzo said. "Now, we want to move to a higher level of education for all."

## Italian Design: Reflection of a Society

By Andrea Branzi

**MILAN** — "A nation of good-for-nothings, capable of everything" was how the writer Curzio Malaparte defined the Italians. This is an apt definition because it points up the vitality that springs from the uncomfortable conditions in which the country lives and from the very special nature of its political and social structure.

Italy, let us not forget, is a democracy that bases its extraordinary stability on the continuous turnover of governments, its political steadiness on the emotionalism of its voters and its industrial development on the backwardness of half of the country. It has been defined as a political laboratory unique in the world; some of the major political inventions of this century — fascism, Eurocommunism, the "historical compromise" between Communists and Christian Democrats, the anti-Communism of some leftists — were born in Italy.

When looking at Italian design and its birth, one must immediately point out that the International Style, known here as the Rational Movement, has always met with great difficulties in Italy, where the

movement caught on in 1928. Unlike in some other European countries, such as Britain or the Netherlands — where modern architecture was the culmination of a transformation of the society and an expression of a new social order — in Italy, the movement found itself functioning within the old existing social order, which was contradictory, reactionary and backward.

First during fascism, then during the years of conservative governments, still later during a wild, intoxicating economic boom and finally in the dark years of the economic crisis and terrorism, Italian modern architecture has had limited possibilities for construction and it has sought above all to present itself as something different from what existed; it has always maintained that a break with the past was essential to creative expression. Out of this came a peculiar architectural culture, consisting of single works rather than urban development, more of names than of schools.

Italy has constructed little and badly, but it is where the world's best publications on architectural planning are printed, where some

of the field's most prestigious theorists and historians live and where as many books on architecture are sold as in the United States.

This shows that in Italy architectural planning has remained the theory, moral lesson, reformist ideology, and has never become actual practice. The nature of architectural planning in Italy has always been part of the political culture; it has virtually become a social culture without specifically defined limitations. This borderline state led to a wealth of creative tension.

Italian design has never been an integral part of industry but often brought to it an element of criticism and contradiction from outside of industry, reflecting the society as a whole. Italian industry, because of its system of organized craftsmanship and its capacity for innovation, was able to benefit fully from this kind of criticism. Italian design's tendency to be eccentric has often led it to use technology for its expressive potential and fashionable images for their technological potential.

This strange way of working, which turns the norm into the exception and accident into method, had its origin in the very special

way that Rationalism was born in Italy.

Between the two world wars, when the first projects of the Rational Movement started to appear, they were not the result of a conflict with the irrationalism of the Futurists but were essentially a more mature extension of Futurism. The latter movement, which was opposed to Futurism and Cubism, began in 1909 as a reaction by Italian poets and artists against what they saw as static art. It did not reach the fields of architecture and urban planning until about 1914.

Filippo Tommaso Marinetti, the poet who founded Futurism, described the first interior decorations produced by Italian Rationalism as Futuristic. Early Italian Rationalism used the language of the Futurist sculptor, Constantino Depero and produced such figures as the architect Luciano Baldessari. Both men belonged, in fact, to both movements.

Italian Rationalism thus was an offspring of one of the major irrational movements and produced a method of working that used technology as a great figurative metaphor for modernism, which had more to do with a heroic state of mind than with technocracy.

It is not by accident that after World War II this internal contradiction, this heretic nature, exploded into the rich phenomenon that was Italian design in the 1950s. Whereas German design allowed itself to be flattened into an industrial tool and in the United States commercial styling took over, Italy, in a kind of delicious panic after years of misery and dictatorship, threw itself into a round of industrial creativity and discarded the canons of Rationalist orthodoxy.

Design as an expression of a society that has not only been reformed but liberated from secular moralism; design as a secular culture that founded a new theology. The road has been tortuous and not easy to follow, partly because the idea of "a new architecture for a new society" was in Italy a slogan of architects of the Rational Movement who alone in the world were content in their fascist faith, at least until World War II. With such a past, the future cannot frighten us.

RAS

**RIUNIONE ADRIATICA DI SICURTA'**

MILAN - ITALY

The Annual General Meeting of Riunione Adriatica di Sicurtà was held in Milan on 27th June 1984 with Mr. Franz Schmitz in the chair. The Meeting adopted the Company's Accounts for the year ended 31st December 1983, highlights from which appear on the right.

A dividend of Lit. 950 per share was declared on all shares ranking for dividends as from 1st January 1983.

In their Report, the Directors emphasise the favourable effects of management policy during the year, which resulted in an overall improvement in claims ratios (except in the third-motor liability account, where a substantial underwriting deficit was again incurred) and enhanced productivity as reflected in higher margins.

Of the Company's total premium income of Lit. 1,173 bn. Lit. 852 bn. represented primary business written in Italy, which rose by 17.7%.

Growth in the Life Branch was particularly satisfactory, with premium volume rising by 22.5% overall and by 25% in individual assurances.

HIGHLIGHTS OF ACCOUNTS	
RAS ONLY, DOMESTIC AND FOREIGN BRANCH OFFICES	
(in US dollars)	
	1983
Premium Income	707,091,918
Investment Income	118,876,397
Claims, Maturities and other Benefits paid	401,851,822
Insurance Reserves, Non-Life Branch	635,044,497
Insurance Reserves, Life Branch	469,492,060
Life Sums assured	3,649,138,201
Share Capital	52,685,863
General Reserves	320,965,831
Profit for the year	9,079,564

**PREMIUM INCOME OF THE RAS GROUP (ITALY AND ABROAD)**

Year	Premium Income (Billion lire)
1978	1,200
1979	1,400
1980	1,600
1981	1,800
1982	2,000
1983	2,200

**SALES OF THE RAS GROUP**

Premium income breakdown in 1983 (in US \$)

Category	Amount (US \$)
RAS (in Italy and abroad)	707,091,918
Other Italian Group Companies	142,924,324
Foreign Group Companies	870,504,500
<b>Total premiums</b>	<b>1,720,520,742</b>

RAS Group, Life Business  
Total Sums assured \$ 8,068,650,419

## In Basilicata, Bare Survival on the Farms

(Continued From Page 7)

ways, create industries, develop irrigation systems and subsidize modern farming methods. But critics charge that the bank has neglected agriculture in favor of industrial projects, leading to what Archangelo Lobianco, president of Italy's National Confederation of Farmers and a deputy in the parliament, called "urban polarization and social, economic and physical degradation of the land."

Only one-third of the irrigation systems promised by the bank to pipe water to 1.2-million hectares of farmland have been installed, causing a stalemate in efforts to increase output and diversify crops, Mr. Lobianco said. In addition, he said, where irrigation does exist, the wheat farmer often refuses to change to a more productive crop because he has no guarantee it will sell within the EC system.

"The Common Market's agricultural policy is becoming increasingly restrictive," Mr. Lobianco said. "The small-holding farmer makes no profit from growing wheat, but it's one of the few subsidies he can count on."

Most of the young people remaining in Basilicata say that, even with further government incentives, they would not remain to till their parents' land.

"It's a better life in the city," said Antonio Branno, an unemployed 23-year-old from the farming village of Grottole. Mr. Branno, who worked briefly at a nearby chemical factory until it closed in 1981, said he wanted to find a job in Bari, an Adriatic coastal city 100 kilometers down the mountains to the east.

He said he was once there as a child, taking a bus from Grottole and then a two-wagon train that weaves through sleepy towns where the clocks on the railroad stations sometimes have no arms.

"At least there will be something to do there," he said. Like most villages in Basilicata, Grottole has no restaurants or theaters and the local cinema closed 15 years ago. Traditional celebrations, such as the yearly harvest feast where men clad in animal skins danced through the fields waving sickles, have vanished from most villages.

"There's no need for social life, we all know each other anyway," said Luigi Appais, a Grottole wheat farmer. "And the population is only getting smaller."

Antonio Zezza, a planning official from FINAM, a private agency providing capital and assistance to southern farmers, says the trend in regions such as Basilicata is for the size of holdings to decline.

"As the older farmers die, their holdings are divided among their children, who hold onto the land from a sense of tradition but do not farm it," Mr. Zezza said. He predicted that these strips of land, often no larger than one hectare, will eventually be sold to agrobusinesses from the north that can afford to use capital-intensive techniques and compete effectively within the European agricultural system.

"The rest of the small holdings," he said, "will simply be abandoned."

"From the sociological point of view the transition is disastrous," said Mr. Ferrarotti, the sociologist. But from an economic point of view, he added, "it may, unfortunately, be the only solution."

Professor Andrea Branzi is an architect and designer. He is director of the Domus Academy in Milan and editor of *Modo*, a design monthly.







# Herald Tribune BUSINESS/FINANCE

MONDAY, JULY 23, 1984

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## EUROBONDS

### Issuers Seizing Gimmicks To Motivate Balking Investors

By BOB HAGERTY

LONDON — When investors are particularly balking, bond issuers usually grab for the nearest gimmick. For the past week and a half, the favored trick has been a three- or four-year bond combined with an option to buy more bonds later.

Such a package lets the edgy investor commit himself for a relatively short period and, if he chooses, make a small bet that interest rates will fall a percentage point or two at some time in the next few years. Though many investors fear that the current bond market slump will persist for another six to nine months, they see signs of hope for mid-1985 and beyond.

For the immediate future, investors have plenty to be nervous about. For a start, forecasts that the U.S. economy will begin to slow down, relieving pressure on interest rates, keep proving premature. The next clue comes Monday, when the U.S. government reports on second-quarter economic growth. Many U.S. economists warn that the report will show GNP swelling at an inflation-adjusted annual rate of 6 to 7 percent, compared with the 5.7-percent forecast by the government last month.

Such boisterous growth would signal further strong demand for credit. For that and a variety of other reasons, lenders Nicolas Krul, general manager of Geneva-based Gulf & Occidental Investment Co., "there is a high risk that interest rates will go up further."

Another big worry is the dollar, which ended the week at a 104-year peak of 2.86 Deutsche marks. "Clearly there is little interest in selling the U.S. dollar at present," says Anthony Peaker, an economist at Bankers Trust Co. in London. "We may even see a play at 2.90 marks" this week, Mr. Peaker adds.

Yet many European investors hesitate to commit themselves long-term to the dollar at present levels. Roreto, the Dutch bond investment fund, has fully hedged its holdings of U.S. government bonds by buying forward contracts to sell the dollar. The cost of this hedging wipes out the 6-percent-plus point yield advantage of dollar bonds over mark bonds. But Jan Donker, senior investment manager at Roreto, said such costly insurance is necessary given the risk of a plunge in the dollar's value. "To me," he said, "it could happen anytime."

MEANWHILE, a few investors are beginning to focus on November's U.S. presidential election. Most figure that President Ronald Reagan will trounce the Democratic candidate, Walter Mondale. After the Democrats' harmonious convention in San Francisco last week and Mr. Mondale's flashy choice of a woman as his vice presidential candidate, however, some investors are reassessing the odds.

"Maybe Europe is overconfident" of a Reagan victory, says a London-based portfolio manager. "Maybe it's not such a clear-cut situation."

Into this nervous atmosphere have floated four recent issues of bonds with options, or warrants.

General Electric Credit International NV, a unit of U.S.-based General Electric Co., for instance, sold \$150 million of three-year, 12.5-percent bonds along with warrants to buy an equal amount of 12.75-percent notes, due 1991.

Each warrant provides the right, but not the obligation, to buy a bond with a face value of \$1,000 during the next three years. Initially offered at \$25 each, the GE warrants were changing hands for about \$23 Friday afternoon.

If an investor chose to exercise his warrant, say, a year from now, he would be paying \$1,023 for a 12.75-percent bond, with a face value of \$1,000, maturing in six years. That would produce a

(Continued on Page 13, Col. 1)

### Bank Gives Warning in Philippines

#### Officials Report Cash 'Depleted'

The Associated Press

MANILA — The Philippines' largest savings bank has threatened to suspend customer withdrawals on Monday, saying its cash position is "depleted."

Officials of Banco Filipino said Saturday in a prepared statement that branch managers in metropolitan Manila had recommended a declaration of a "bank holiday" starting Monday because of the central bank's refusal to give necessary financial assistance.

Faustino Dixon, executive vice president of the Banco Filipino, said on television late Saturday night that a bank holiday would not necessarily mean closure of all of the bank's operations.

"It means suspending the servicing of withdrawals of deposits in view of the depleted cash position of the bank," Mr. Dixon said.

Manila newspapers said Sunday that the central bank governor, José B. Fernandez, had been demanding that the Banco Filipino sell 51 percent of its ownership to a new group of stockholders, whose identity Mr. Fernandez reportedly would not disclose. Mr. Fernandez could not be reached for comment on the reports during the weekend.

Mr. Dixon and another bank official said Banco Filipino had submitted collateral in the form of real estate mortgages amounting to \$55.5 million to the central bank to back up its request for cash, but assistance from the central bank "comes in trickles."

Banco Filipino is estimated to have total resources of \$260.8 million and deposits from 3 million people.

It lost about \$11.1 million in deposits last year after runs in several local banks when the August 1983 assassination of former Senator Benigno Aquino shook international confidence in the Philippine economy.

The Philippines Daily Express quoted Norberto Quinsamling, lawyer of Banco Filipino, as telling Mr. Fernandez in a letter last week that there should be no risk in the central bank giving financial assistance to the savings bank.

"[Banco Filipino] is geared to real estate development. It is the greatest collaborator of [the Marcos] administration in the latter's housing program. It was, and is, most solvent. It could and did give collateral of the best kind, i.e., real estate mortgages. No better hedge against inflation can there be," Mr. Quinsamling said, according to the newspaper.

But the IEA warned that because of declining oil production in the industrialized nations the oil market could become tight beyond 1990, meaning upward pressure on oil prices and the risk of "massive" price jumps in the event of even minor supply disruptions.

The Paris-based agency, whose members include most of the Western industrialized nations, said the tightening of energy and oil markets that had been projected to take place around 1990 is now expected to occur later.

David Jones, director of long-term cooperation and policy analysis at IEA, said the downward revision of the agency's estimates of demand for oil from the Organization of Petroleum Exporting Countries partly reflected the success of energy conservation policies of member governments and efforts to switch from oil to alternative energy sources.

He said that in 1982 the IEA was forecasting demand for OPEC oil to rise to 30 million barrels daily by 1990 and that by 1995 it could reach a daily level of 38 million barrels per day. The IEA is now projecting levels of 24 million barrels per day in 1995 and 29 million in 2000.

The IEA report suggested, however, that a tight market situation could occur earlier than the mid-1990s if economic growth over the remainder of this decade is more rapid than is expected or if oil prices fall significantly in the next few years.

It added that many of the IEA member governments "apparently assume a rapid rise in real crude prices during the 1990s." For the United States, it said, the forecast is based on an oil price in 1982 dollars of \$57 per barrel in 2000.

Assuming an oil price of \$36 per barrel, oil demand in that year could be more than 1.2 million barrels per day greater than is now projected.

Declining oil production in the industrialized nations, especially in the North Sea and in the United States, will cause their net oil imports to start rising again over the rest of this decade, the IEA analysts said.

Net imports in the IEA are expected to reach 17.6 million barrels per day by 2000, compared with 14.6 million in 1983 and a peak of 24 million in 1979.

In Friday's "Memorandum to All Judges of the United States," Mr. Foley said, "If we all work together now, I am confident that we can continue to serve the needs of those seeking court services until a solution to the precise problem generated by Section 121 can be found."

He said the root of the problem was that "Congress was unable to meet its own deadline of June 27" for passing a new bankruptcy law, and that "I regret that many bankruptcy judges apparently misunderstood my intentions."

The latter statement was an apparent reference to complaints by some bankruptcy judges that the July 11 decision not to pay them was the latest episode in a continuing effort by Chief Justice Warren E. Burger and federal district and appellate judges to keep them in an inferior position.

### Jeans Sales in U.S. Are Cooling Off

#### Manufacturers Are Turning to Fashion Lines

By Peter W. Barnes

New York Times Service

NEW YORK — In 1981, a modern-day Western movie named "Urban Cowboy" that was set in a Houston bar spurred the nation's highest-ever annual sales of blue jeans, the rugged trousers worn by virtually every person in the film.

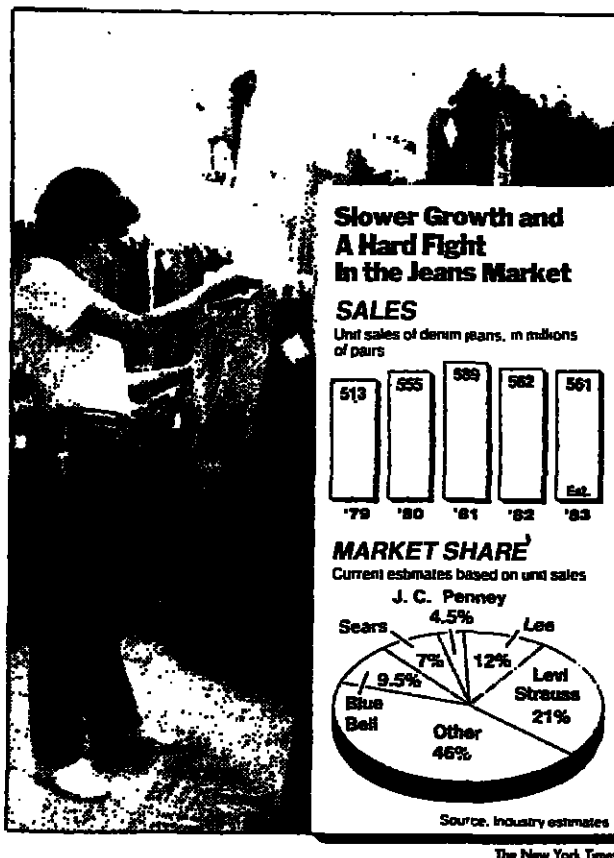
Jeans makers, thinking the boom would endure, responded by increasing production and marketing at the enduring American love affair with blue denim, the rough cotton fabric most often associated with jeans.

But the boom did not last. "All of us in the whole industry acted as if it was here to stay," said William Harvey, president of the Wrangler menswear division of Blue Bell Inc., a leading jeans maker. "We all quit working in this 'Urban Cowboy' thing. We got fat and lazy."

Jeans sales have dropped since the explosive growth of the late 1970s and early 1980s, and analysts say demand is likely to remain flat.

As a result, the jeans business has gone from stable and secure to risky and highly competitive. Using aggressive marketing, new product lines and leaner operations, jeans makers are trying to create growth by cutting themselves a larger piece of a pie — estimated to have a value of \$5 billion last year — that is no longer getting bigger.

Most analysts attribute the flat growth to the maturing of the baby-boom generation. From peak sales of \$88.8 million in 1981 — an 8.1 percent increase from 1980 — sales of jeans were down 4.8 percent, to \$60.6 million last year, according to the same level as 1982, according to industry estimates.



A shopper in New York examines a pair of fashion jeans.

"Through the 1970s, the domestic production grew at a rate of 7 percent, compounded annually, and international markets grew at even a faster rate," said Jay Meltzer, textile analyst at Goldman, Sachs & Co. "It's a whole new ball game today."

Signs of hard times and fierce competition brought about by flat sales are especially apparent among the three largest jeans makers: Levi Strauss, Lee and Blue Bell. The three represent about 42.5 percent of unit sales in the United States, according to industry estimates, with 8 percent coming from abroad and the remainder divided among

many smaller domestic manufacturers. On Tuesday, Levi Strauss & Co., the leading U.S. jeans producer, said it was laying off 400 employees at its San Francisco headquarters, just one month after announcing it would close 11 plants and lay off 3,200 workers. Levi's earnings grew at a 37-percent annual clip in the late 1970s but plunged 78 percent in the first half of its 1984 fiscal year, to \$17.2 million.

Blue Bell, best known for its Wrangler line, has closed six domestic jeans plants since 1982. Last week, the Greensboro, N.C., plant was closed. (Continued on Page 13, Col. 4)

### GM, Union Face Crucial Talks

#### New Pressures and Priorities Expected to Alter Impact

By Peter Behr and Frank Swoboda

Washington Post Service

WASHINGTON — On Monday, negotiators from General Motors Corp. and the United Auto Workers will take their places on opposite sides of a long table to begin bargaining on a new, multi-year labor contract.

As it has in other years, what happens at the table in the conference room at GM's Detroit headquarters may cast a shadow far beyond the reaches of the U.S. auto industry. But this time, labor experts and union officials say, the impact is likely to be quite different.

In the past, the wage and benefit gains in the auto settlement rippled through the U.S. economy, influencing wage and benefit patterns for millions of employees, both union and nonunion. Other big unions in the steel, copper, trucking and construction industries tried to build their contracts on the autoworkers' gains. Indirectly, what these unions got affected nearly all wages.

This year, however, the wage impact of a UAW settlement with GM and Ford Motor Co. is not likely to reach much beyond the auto industry, many experts say.

U.S. labor unions, facing the toughest economic pressures of the postwar era, have essentially abandoned pattern bargaining to fend for themselves.

Peter Pestillo, vice president for labor relations at Ford, explained the change by saying, "Different industries are seeing wholly different problems."

Since back-to-back recessions between 1980 and 1982, industrial

unions, instead of leading other workers in wage increases, have led the way down. "By 1983, wage increases in manufacturing were less for unionized workers than for nonunionized workers for the first time since 1969," said a Stanford University economist, Robert J. Flanagan, in a study just published by the Brookings Institution.

In the first three months of 1984, the Bureau of Labor Statistics said, wages and salaries of union employees in private industry rose 1 percent while those of nonunion employees rose 1.3 percent.

The priorities of labor have shifted in the 1980s, as the bargaining agenda of the UAW makes clear. The UAW will be asking, in order, for more job security, a share of the industry's current soaring profits in the form of an immediate cash bonus, continued cost-of-living protection and a richer profit-sharing plan for the future. The current contract expires Sept. 14.

Owen Bieber, who will preside over his first national contract negotiations as president of the UAW, puts job security first. "We view this as a make-or-buy contract for job security," said a UAW spokesman, Peter Laarmann.

Mr. Pestillo has warned the UAW that what he called a "rich" settlement that would move labor costs much above the 1983 level of \$22.67 an hour would lead Ford to move its small-car production out of the United States. The same threat exists at GM.

An AFL-CIO official who watches contract trends sees little rank-and-file pressure for large wage increases this year. "I think all the pressures are going the other way," he said. (Continued on Page 15, Col. 5)

### IEA Lowers Forecast for Oil Demand

The Associated Press

PARIS — The International Energy Agency has revised sharply downward its estimates of demand for crude oil from OPEC member countries through the end of the century and says supply and demand for oil should remain balanced through 1990.

The conclusions were contained in a report released by the 21-country for publication on Monday.

The report said the oil market should remain soft through the end of the 1980s and that big oil price increases are unlikely during the period except in the event of a major supply shortage.

But the IEA warned that because of declining oil production in the industrialized nations the oil market could become tight beyond 1990, meaning upward pressure on oil prices and the risk of "massive" price jumps in the event of even minor supply disruptions.

The Paris-based agency, whose members include most of the Western industrialized nations, said the tightening of energy and oil markets that had been projected to take place around 1990 is now expected to occur later.

David Jones, director of long-term cooperation and policy analysis at IEA, said the downward revision of the agency's estimates of demand for oil from the Organization of Petroleum Exporting Countries partly reflected the success of energy conservation policies of member governments and efforts to switch from oil to alternative energy sources.

He said that in 1982 the IEA was forecasting demand for OPEC oil to rise to 30 million barrels daily by 1990 and that by 1995 it could reach a daily level of 38 million barrels per day. The IEA is now projecting levels of 24 million barrels per day in 1995 and 29 million in 2000.

The IEA report suggested, however, that a tight market situation could occur earlier than the mid-1990s if economic growth over the remainder of this decade is more rapid than is expected or if oil prices fall significantly in the next few years.

It added that many of the IEA member governments "apparently assume a rapid rise in real crude prices during the 1990s." For the United States, it said, the forecast is based on an oil price in 1982 dollars of \$57 per barrel in 2000.

Assuming an oil price of \$36 per barrel, oil demand in that year could be more than 1.2 million barrels per day greater than is now projected.

Declining oil production in the industrialized nations, especially in the North Sea and in the United States, will cause their net oil imports to start rising again over the rest of this decade, the IEA analysts said.

Net imports in the IEA are expected to reach 17.6 million barrels per day by 2000, compared with 14.6 million in 1983 and a peak of 24 million in 1979.

### Fed Policy Left Unchanged in May

By Kenneth B. Noble

New York Times Service

WASHINGTON — The Federal Reserve's policy-making arm, the Federal Open Market Committee, decided at its May 21-22 meeting to make no change in monetary policy, according to minutes of the meeting.

By a 10-to-1 vote, the committee, which is made up of seven governors of the Federal Reserve Board and five of the 12 presidents of Federal Reserve district banks, agreed that "no significant change in policy — in either direction — was desirable at this time in light of the performance of the economy."

One governor was absent. The minutes, which were released Friday, showed that the members were concerned that "any significant further restraint would produce added strains in interest-sensitive sectors of the economy, such as housing and agriculture,

and would incur an undue risk of a pronounced effect on already somewhat unsettled financial markets."

But the dissenting member, Robert H. Boykin, president of the Dallas Fed, contended that "somewhat greater restraint and marginally lower monetary growth" would improve prospects for curbing inflation.

The May minutes indicate that the members, in their discussion of the economic outlook, "noted that the expansion in economic activity did indeed appear to be moderating from an unsustainable pace in the first quarter." The minutes added that "the extent of the slowdown remained in question, as did the prospective degree of upward pressures as the expansion continued."

The committee said it expected the current restraint to be consistent with the growth of M-1, the narrowest measure of the money

supply, at an annual rate of about 6 1/2 percent for the period from March to June. This was consistent with the M-1 growth target the committee established at its meeting in late March. M-1 is made up of currency in circulation and checking accounts. The Fed's target range for M-1 growth from the fourth quarter of 1983 to the fourth quarter of 1984 is 4 to 8 percent.

The committee also said that under the current policy, M-2, which includes M-1 and savings accounts and money-market funds, should grow at an 8-percent annual rate in the March to June period, also consistent with the target set in March.

Both M-1 and M-2 have subsequently stayed within the Fed's range.

However, the minutes said that M-3, which comprises M-2 plus large certificates of deposit, is growing at an annual rate of about 10 percent.

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### Prospects for AT&T, Regional Firms Are Good

By Peter W. Barnes

New York Times Service

NEW YORK — With healthy second-quarter earnings for American Telephone & Telegraph Co. and the seven regional Bell holding companies, experts say the outlook for profits in the next six months is good.

But experts also cautioned that the profit picture for coming months is clouded by union wage increases, the potentially expensive settlement of some lawsuits and the possibility of negative rulings on telephone rate increases by regulatory bodies.

On Wednesday, AT&T surprised analysts by reporting second-quarter profit of 43 cents a share when most projections were for no more than 35 cents. The company had a disappointing 20-cent-a-share performance in the first quarter.

Through the week, the seven regional holding companies for AT&T's former local telephone concerns reported profits in line with forecasts they made to federal regulators before the Jan. 1 dissolution of the Bell System.

In an encore of its first-quarter performance, Chicago-based Ameritech prevailed as the most promising company in the group, earning in the first six months of the year 57 percent of its projected yearly earnings of \$9.47 a share.

The other six regionals were either slightly above or slightly below earnings half of their projected annual profit.

Analysts do not expect AT&T to achieve its projected \$2.02 profit for the year, the company has earned only 31 percent of that amount so far. But they do believe AT&T will show quarterly earnings of about 50 cents in each of the next two quarters, which would be a \$2-a-share annual rate. AT&T was the most active issue Friday on the New York Stock Exchange, closing at \$18.50, up 6 1/2 cents, on a volume of more than 1.6 million shares.

AT&T attributed its strong showing to cost-cutting and increased sales of long-distance service

and communications equipment. It was also helped by a number of favorable regulatory rulings. For example, in May it began charging 50 cents for each long-distance information call after an allowance of two free calls each month. It pays local operating companies only half of that charge.

Analysts say AT&T may even have earned too much on its long-distance service, which generates more than half of the company's revenue and most of its profit. The company will not disclose the figures, but analysts believe its rate of profit for the quarter on long-distance operations was about 14 percent, up from 10.5 percent in the first quarter and more than the 12.75 percent allowed by the Federal Communications Commission.

If the company continues to exceed the FCC allowance, the agency could order a reduction in AT&T's long-distance rates or it could lower the rate of return allowed, some analysts say.

The first move could hurt AT&T by decreasing revenue and profit, but it could help the company compete with other long-distance carriers, such as MCI and GTE-Sprint. Those companies offer lower rates on long-distance and aggressively pursue AT&T's more lucrative high-volume customers.

The second alternative could also diminish the profits of regional companies, analysts say. About a fourth of their plant and equipment is still under FCC regulation and subject to a federal rate of return because it is used in supplying interstate long-distance service.

Profits of all eight Bell-related companies could be affected next month when some 650,000 union telephone workers employed by AT&T and the regional companies are scheduled to receive pay increases of 3.8 percent on average under a three-year contract signed in August 1983. At AT&T, the increases are expected to cost \$100 million during the rest of 1984, according to company estimates.

Owen Williamson, vice president for finance at Atlanta-based

BellSouth, said the increases were accounted for in earnings forecasts and predicted that the impact of the expense "will be a little bit less than forecast" because of moderating inflation.

But Bradford Peery, chairman of Hicks Peery Inc., a San Francisco-based investment concern specializing in communications, disagreed. "We estimate declining earnings for the fourth quarter from the third quarter for all the companies because of the wage increase," he said.

Earnings for all eight companies were also hurt by several court settlements during the quarter. Each of the companies must pay a portion of the settlements of antitrust suits filed against the Bell System before the breakup.

During the quarter, the companies, working to beat a tax law

### Zambia's Debt Is Rescheduled

Reuters

LUSAKA, Zambia — The Club of Paris of major Western creditor countries has agreed to reschedule repayment of Zambia's \$2.5-billion debt, the official Zambia News Agency said Sunday.

The agency said the agreement was reached at a meeting of the Club of Paris that ended last week. It gave no details of the accord. The Club of Paris, made up of representatives of major noncommunist industrial countries, oversees the rescheduling of government-to-government debts.

Countries at the meeting were satisfied with economic measures taken by the Zambian government in line with its standby credit agreement with the International Monetary Fund, the agency said.

The companies still face about 30 such lawsuits, including MCI Communication Corp.'s \$1.8-billion antitrust suit, which is scheduled to go to trial in Chicago in December.

Though favorable rate rulings by state regulatory commissions increased profits for some of the regionals, the companies were not equally successful.

### Pay to Bankruptcy Judges Resumed

By Stuart Taylor Jr.

New York Times Service

WASHINGTON — The chief administrative officer of the federal judiciary in the United States has rescinded his July 11 decision not to pay the salaries of bankruptcy judges, yielding to pressure from some federal judges and from a committee chairman in the House of Representatives.

"In no instance will any bankruptcy judge or employee fail to receive his or her paycheck," William E. Foley, director of the Administrative Office of the United States Courts, said in a memo to judges Friday.

The considerable disarray into which the bankruptcy court system was thrown by Mr. Foley's July 11 announcement on salaries is likely to be reduced, but not eliminated, by Friday's action. Because of the

### Occidental Shareholder Asks Court To Bar 'Wasteful' Murdoch Buyout

Los Angeles Times Service

LOS ANGELES — An Occidental Petroleum Corp. shareholder has asked the Los Angeles County Superior Court to nullify the company's buyout of its largest shareholder, David H. Murdoch, calling the \$194-million price "unconscionable and wasteful."

The shareholder derivative lawsuit filed Friday, the day after the buyout, accused Occidental's chairman, Armand Hammer, and other directors of breaching their fiduciary duty and wasting corporate assets. It alleges that Mr. Murdoch, a Los Angeles businessman, abetted them in the deal.

The suit claims that Occidental directors made the transaction "solely in order to entrench themselves in office by eliminating any threat by Murdoch to usurp their dominance and control of Occidental."

Under the agreement, the Los Angeles-based company acquired Mr. Murdoch's 5-percent holding of common stock at a 42-percent premium above the current market price. Mr. Murdoch also agreed to resign as a director and to vote his preferred stock with management.

### CURRENCY RATES

Late interbank rates on July 20, excluding fees.

Official fixings for Amsterdam, Brussels, Milan, Paris, New York rates at 4 P.M. EDT.

	\$	£	D.M.	F.F.	Y.	Sw.	S.F.	S.P.	Y.
Amsterdam	1.2382	0.6363	1.3363	0.1667	0.1667	0.1667	0.1667	0.1667	0.1667
Brussels	0.7815	0.3415	0.3615	0.0415	0.0415	0.0415	0.0415	0.0415	0.0415
Frankfurt	0.7815	0.3415	0.3615	0.0415	0.0415	0.0415	0.0415	0.0415	0.0415
London	1.2382	0.6363	1.3363	0.1667	0.1667	0.1667	0.1667	0.1667	0.1667
Madrid	1.7550	0.8550	0.9550	0.1150	0.1150	0.1150	0.1150	0.1150	0.1150
New York	1.2382	0.6363	1.3363	0.1667	0.1667	0.1667	0.1667	0.1667	0.1667
Paris	0.7815	0.3415	0.3615	0.0415	0.0415	0.0415	0.0415	0.0415	0.0415
Rome	0.7815	0.3415	0.3615	0.0415	0.0415	0.0415	0.0415	0.0415	0.0415
Switzerland	0.7815	0.3415	0.3615	0.0415	0.0415	0.0415	0.0415	0.0415	0.0415
Yokohama	0.7815	0.3415	0.3615	0.0415	0.0415	0.0415	0.0415	0.0415	0.0415

1 SDR 1.8186 0.7815 2.2883 0.2974 1.7829 3.2832 28.1434 2.66



Provided by White Weld Securities, London, Tel.: 623-1277; a Division of Financière Cr dit Suisse-First Boston  
Prices may vary according to market conditions and other factors.

[illegible]

**For the Week Ending July 20, 1984**

[illegible][illegible]

GBP	Canadian Dollar	SDR	Special Drawing Rights
ECU	European Currency Unit	Yen	Yen
EUA	European Unit of Account	LFR	Luxembourg's Franc
DM	Pound Sterling	SFR	Swiss Franc
DM	Deutsche Mark	FF	French Franc
DM	Swiss Franc		

## Letters Some Are Smicks Staying R

# The Global Newspaper.

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**BANQUE**  
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**HAVE A  
CATCHUP**

صلى الله عليه وسلم



## NEW EUROBOND ISSUES

Issuer	Amount (millions)	Mat.	Coup. %	Price	Yield at offer	Price end week	Terms
<b>FLOATING RATE NOTES</b>							
Alco Int'l	\$63.35	1996	1/4	100	—	99.98	Over mean of bid and offered rates for 6-month Eurodollars. No minimum coupon. Redeemable and callable at par on any interest payment date. In denominations of \$50,000. Commissions 0.25%.
<b>FIXED-COUPON</b>							
Denmark	\$100	1988	13%	100	13%	98.75	Noncallable. Each \$5,000-bond with 5 warrants each exercisable into a \$1,000 note of company's 13% of 1991 or par, callable in 1989 at par. Warrants, priced at \$25 each, ended the week of \$22. GE Credit [U.S.] will assume debt if U.S. regulations are changed before payment date. If regulations are not changed by June 14, 1985, GE Credit must call the bonds at 103 plus accrued interest, the warrants of \$25 each, and the second bonds at 107% plus accrued interest.
General Electric Credit Int'l	\$150	1987	12 1/4	100	12 1/4	98.25	Noncallable. Each \$5,000-bond with 5 warrants each exercisable into a \$1,000 note of company's 12 1/4% of 1991 or par, callable in 1989 at par. Warrants, priced at \$25 each, ended the week of \$22. GE Credit [U.S.] will assume debt if U.S. regulations are changed before payment date. If regulations are not changed by June 14, 1985, GE Credit must call the bonds at 103 plus accrued interest, the warrants of \$25 each, and the second bonds at 107% plus accrued interest.
Oesterreichische Landesbank	\$100	1987	13 1/4	100	13 1/4	98.25	Noncallable. Each \$5,000-bond with 5 warrants each exercisable into a \$1,000 note of company's 13 1/4% of 1991 or par, callable in 1989 at par. Warrants, priced at \$25 each, ended the week of \$22. GE Credit [U.S.] will assume debt if U.S. regulations are changed before payment date. If regulations are not changed by June 14, 1985, GE Credit must call the bonds at 103 plus accrued interest, the warrants of \$25 each, and the second bonds at 107% plus accrued interest.
EIB	DM 200	1994	8 1/4	100	8 1/4	98.50	Noncallable.
Spain	DM 200	1992	8 1/4	99 1/4	8 1/4	97.25	First callable at 101 in 1989.
Statewide Australia	Aus 24	1987	13%	100	13%	—	Noncallable.
City of Oslo	Nkr 150	1991	11 1/4	100	11 1/4	—	Callable at 101 in 1989.
<b>EQUITY-LINKED</b>							
Kowashima Textile Manufacturing	DM 45	1990	open	100	—	—	Coupon indicated at 4%. Callable at 105 in 1989. To be redeemed at 105, giving an effective yield of 4.96%. Warrants returned at \$17 each, making the price of the package 101.70. Package ended the week of \$9.70, with warrants at \$14.62.
Optec Dai-ichi Denko	\$ 30	1999	open	100	—	—	Senior secured coupon indicated at 30%. First callable at 104 in 1987 and redeemable at 108 in 1989. Convertible at an anticipated 5% premium. Terms to be set July 24.

## Bond Issuers Use Gimmicks

(Continued from Page 11)  
yield of 12.20 percent. Currently, six-year paper from top-rated U.S. corporate issuers is yielding about 13 percent. So yields on such paper would have to fall nearly a percentage point over the next year to make such a transaction profitable.

Despite the warrant gimmick, the GE issue, led by Smith Barney, Harris Upham International Inc., got off to a slow start. Several major Eurobond houses declined invitations to serve as underwriters, calling the terms too aggressive.

Dealers said a similar issue from Oesterreichische Landesbank also was selling slowly. But the recent bond-warrant issue from Creditanstalt-Bankverein of Austria was trading strongly at a small premium to its issue price, and Denmark's issue was hovering at a respectably thin discount.

In the mark Eurobond sector, the new European Investment Bank issue sold quickly, but investors resisted the terms on Spain's offering and the bonds ended the week at a discount of about 2.5 from their 99.75 issue price.

## GEC Wins Indian Order

NEW DELHI — General Electric Co. of Britain has won a \$400-million order to supply India's state-owned Bharat Aluminium Co. with four 67.5 megawatt power units for its Korba aluminum complex, a British High Commission spokesman said Saturday. General Electric is not related to the U.S. company of the same name.

## Some Analysts See Rates Staying Relatively Stable

By Kenneth N. Gilpin  
New York Times Service

NEW YORK — Most analysts did not attribute much significance to the decline of bond prices here late last week, and said that with no new supply of U.S. government issues scheduled to be offered for the next few weeks, interest rates should remain relatively stable.

"There hasn't been a lot of selling pressure," said Manny N. Harris, chief economist at the Paine Webber Group. Friday "was just an extremely thin day. I'd be careful about drawing too many conclusions based on the day's activity."

The selling pressure that did arise came early in the day, after the Federal Reserve entered the

## U.S. CREDIT MARKETS

market to do matched sales, an operation that drains funds from the system.

"The draining activity was unsettling," said Richard Green, president of Money Market Services Inc. in Belmont, California. "because over the past few days people had adopted an optimistic outlook about Fed policy."

The minutes of the Federal Open Market Committee meeting held in late May, which were released Friday and showed that members had voted not to tighten monetary policy further, had little market impact. [Story on Page 11.]

Prices fell throughout the maturity spectrum, with the biggest drop

## U.S. Consumer Rates

For Week Ended July 20

Possibility Savings	5.50 %
Tax Exempt Bonds	10.36 %
Bond Buyer 20-Bond Index	10.36 %
Money Market Funds	10.33 %
Danaher's 2-Day Average	10.33 %
Bank Money Market Accounts	9.42 %
Bank Rate Monitor Index	9.42 %
Home Mortgages	14.76 %
FHLB overages	14.76 %

registered by the Treasury's 20-year, 13 1/4-percent bonds. By the close, its price had dropped about 1/4 point, to 102 25/32, to yield 13.34 percent. The price of the Treasury's bellwether 30-year bond, the 13 1/4 of 2014, declined by 1/4 point, to 100 22/32, to yield about 13.17 percent.

The corporate bond market Friday closed out its busiest week since the week of May 2, 1983, as three new corporate issues were priced.

In all, \$2.35 billion of new corporate debt offerings were priced this week, according to statistics compiled by McCarthy, Crisanti & Maffei Inc., a bond-ratings agency. General Motors Acceptance Corp. offered \$200 million of two-and-a-half-year notes. The notes, which mature Feb. 1, 1987, were priced at par with a coupon of 13 1/4 percent.

Wells Fargo & Co. offered \$150 million of subordinated capital floating-rate notes, an increase from the \$100-million offering that had originally been planned.

CIT Financial Corp. offered \$100 million of four-year notes.

## U.S. Tax Move Expected to Hurt Debtor Nations

By Juan de Onis  
Los Angeles Times Service

RIO DE JANEIRO — The Reagan administration's latest move to attract foreign capital to the United States to finance budget deficits is expected to add a new burden on hard-pressed debtor countries that are trying to meet huge dollar payments to foreign banks.

The removal of a 30-percent withholding tax on interest and dividend income earned by foreign investors in the United States, included in the tax bill signed recently by President Ronald Reagan, is expected to pull in between \$15 billion and \$30 billion from abroad this year.

The money will be invested largely in U.S. Treasury securities and will strengthen the U.S. dollar in relation to other currencies, thus

making the repayment of foreign debts more difficult.

For major debtor countries, such as Brazil and other Latin American nations that collectively owe \$330 million abroad — mainly to U.S. banks — the new law will be particularly painful.

The consequences include upward pressure on interest rates in those countries' capital markets to offset the flight of money to the United States, and downward pressure on commodity prices, since it will take fewer dollars to buy the same amount of any given product, such as sugar or copper.

Although the U.S. economy has been growing over the last year, commodity prices are still in a slump, the worst in more than 20

years. Part of the reason is oversupply: the current world market price of sugar, for example, is less than \$100 a ton. But even in areas where there is no glut, the high rate of interest and the strength of the U.S. dollar have been driving down prices.

The combination of high interest rates, which raise the cost of paying off the foreign debt, and depressed commodity prices have a whipsaw effect on the debtor nations. Even if they increase the volume of their exports, the income is reduced while interest charges rise.

The new factor of a U.S. tax policy designed to draw in still more foreign capital than has already been flowing to the United States is a further complication.

Gazeta Mercantil, a Brazilian

## GE Gets Contract For B-1 Engines

The Associated Press

WASHINGTON — The U.S. Air Force has awarded a \$1.58 billion contract for 428 engines for the new B-1B bomber fleet to General Electric Co. of the United States.

The Reagan administration plans to build 100 of the advanced bombers, with the first scheduled to become combat-ready next year.

The expected award was made Friday to GE's aircraft engine business group, which is based in Cincinnati, Ohio. The announcement did not say where the engines would be built.

## Jeans Sales in U.S. Are Cooling Off

(Continued from Page 11)

North Carolina, manufacturer dissolved its money-losing Sedgefield division, which for 11 years had produced a variety of jeans and apparel products aimed at pricier outlets that normally did not carry Wrangler products. The company's earnings have risen, but sales have fallen and Blue Bell has been replaced as the No. 2 jeans maker by Lee Apparel Co.

On the other hand, Lee, which is based in Merriam, Kansas, and is a subsidiary of VF Corp., has doubled its sales since the "Urban Cowboy" boom to about \$800 million annually with innovative products and smart marketing. VF earned \$37.5 million in the first half, up 12.8 percent from a year ago. Lee accounts for about 80 percent of sales.

One of the main currents creating the volatility, analysts say, is demographics. Not only is the baby-boom generation aging, but there is also a decline in young adult population, the group most likely to buy jeans. By 1995, the number of 18- to 24-year-olds is expected to plunge 23 percent, to 23 million.

The older crowd is no longer buying as many pairs of jeans, and when they do, they are usually wearing them longer, according to industry analysts.

The introduction of high fashion into the jeans business has made the situation all the more unstable, though analysts say so-called fashion jeans represent the industry's best chance for growth. Younger customers, especially women, now shun standard blue denim jeans for fashion jeans, which are made with stripes or patterns in distinctive fabrics and cuts.

Consumer tastes in jeans have fluctuated so wildly over the last 10 years that the definition of "jeans" is itself in question. In the mid-1970s came the shift from basic blue jeans to blue jeans with designer labels, which are made of denim but carry a designer's name on the pocket. Prompted largely by "Urban Cowboy," tastes shifted back to basic jeans, but gave way beginning last year to fashion jeans.

Popular fashion styles include "stonewashed" denim jeans, which are washed, as the name suggests, in pebbles to give them a worn look. Baggy cuts are in as well, as are jeans made with striped and nondenim fabrics.

"We can't take anything for granted any more," said Thomas M. Kasten, president of the jeans-wear division of Levi Strauss. "Today, there is the basic business, but the element of fashion has entered into it. In a fashion business, there is more risk."

For Levi and Blue Bell, the two big jeans makers that have been hit hardest by the new marketplace environment, strategies for gaining back lost ground focus on building stronger ties to retailers and consumers, broadening product lines outside of jeans and selling jeans with marketing techniques such as gift-giveaways that were pioneered by packaged goods makers.

To learn what consumers want, Levi executives have been working in stores as clerks and sales people in recent months, selling both Levi and competitors' products. Levi's president, Robert Haas, who was named chief executive in April, spent a day in a department store near the company's San Francisco headquarters last Christmas.

"I came back with three pages of notes," said Mr. Kasten of his similar outing. "You can learn a lot

from talking to the consumer."

Levi is spending about \$150 million this year to promote the Levi name, up from \$119 million last year. In response to the fashion trend, the company is offering its basic button-fly jeans in stonewashed, striped, black and other styles. It declined to disclose actual sales figures.

Levi has also recruited the designer Perry Ellis to create a fashion line, including its first designer jeans. The move, which the company resisted for years, is also intended to mend fences with many department stores, which were upset when Levi began distributing its jeans through J.C. Penney and Sears, Roebuck & Co. stores in 1982. The Perry Ellis line will be offered beginning next year only to department stores that now carry Perry Ellis.

In February, Blue Bell became the first of the big three jeans makers to establish a private-label jeans division. Private label jeans, in which the product is sold under a store name or brand, such as Sears Roebuck's, accounts for about 40 percent of all jeans sales.

This announcement appears as a matter of record only

## Compagnie Générale des Eaux

has taken a major interest in

## Groupe Monténay

We initiated this transaction, served as financial advisor and assisted in the negotiations in cooperation with the accounting firm Exco-Paris (Hodgson Landau Brands Int) July 84

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July, 1984.



صبرنا من الراحل















## COFFEE

## Blue Mountain Mystique

By Charles J. Hanley

The Associated Press

**J**RISH TOWN, Jamaica — If price is any guide, the coffee that grows in Jamaica's misty Blue Mountains is, at more than \$20 per pound, the world's finest. And most of it goes to Japan.

The Rising Sun flag flutters high over 180-year-old Craighton House, a pink hilltop mansion commanding one of Jamaica's prime coffee estates. At the docks in nearby Kingston, 90 percent of the Blue Mountain crop is being shipped to Japan.

And now the Tokyo government is pouring \$26 million into a drive to expand Blue Mountain acreage. "To the Japanese, there's something very special about Blue Mountain coffee. But there isn't enough to meet the demand," said Takuzo Shio, local manager for Ueshima Coffee Co., the Japanese coffee giant that bought Craighton House Estate three years ago.

The greatest tribute to Blue Mountain's quality is paid by its imitators. In New York, for instance, shops sell "Blue Mountain style" coffee at \$5.98 per pound. Sol Zabar, an owner of Zabar's Delicatessen, acknowledges there are no Blue Mountain beans in it, but says "there's a mystique about Blue Mountain."

In Tokyo coffee shops, people are willing to pay \$3.50 for a cup of that mystique. "If a young guy wants to impress his date, he buys her Blue Mountain," Shio said.

What makes it special? The experts credit a combination of the soil and the right amount of trade winds rainfall. And it must have something to do with the cool "blue" mists that descend over these hills, they say.

Certified Blue Mountain coffee comes only from the slopes of a 38-mile (60-kilometer) mountain chain, dominated by 7,402-foot (2,256-meter) Blue Mountain, at the eastern end of this Caribbean

island. Only a tenth of Jamaica's 3 million-pound annual coffee crop is Blue Mountain grade.

The blue-green beans are hand-picked in mid-year by laborers who often work at a 35-degree angle, leaning into the tree-blanketed slopes.

Even the experts differ when it comes to trying to describe the taste of Blue Mountain. "It has a meaty, beef-broth taste," ventured Zabar. "The body is heavier than others." Joel and Karl Schapiro, in their standard "Book of Coffee and Tea," say of Blue Mountain, "This coffee is extremely mellow, sweet-tasting and delightfully aromatic."

In generations past, British and Canadian coffee merchants did the buying. But about 20 years ago, the Japanese moved in, bidding up the price and dominating the Blue Mountain bean market.

The Craighton House Estate spreads over a highland landscape of red hibiscus and iridescent-green hummingbirds, of giant mahogany trees and white coffee-rose bushes. "You can grow anything here," said Yoshiaki Kawashima, an amiable Ueshima "agro-consultant" who tells new acquaintances, "Just call me José" — a vestige of his years in El Salvador's coffee country. "The coffee here is very good," Kawashima said, "but technically Jamaica is not so advanced. The technique is antique. We're trying to improve it."

Craighton House and two other Blue Mountain estates co-owned by Ueshima now have 300 acres (122 hectares) planted with coffee. Ueshima's plan is to increase that to 1,000 acres (405 hectares) within a few years, in part by terracing the hillsides.

But the bigger Blue Mountain expansion plan is one jointly sponsored by the Japanese and Jamaican governments — a \$47-million program to add 3,500 acres (1,417 hectares) to the Blue Mountain crop through loans to small Jamaican coffee farmers.

At Expo '85, a world exposition planned for the Tokyo area next year, Ueshima is erecting a towering, pyramid-shaped pavilion, "representing the peak of Blue Mountain in Jamaica" — and impressing the Jamaican brew still more on the Japanese mind.

William Safire is on vacation.

## Diehl's Machine: Boring Reader Is a Sin

By Art Harris

Washington Post Service

**A**TLANTA — There he was in Burt Reynolds's living room, the impoverished author of "Sharky's Machine" on a roll, 3,000 miles from home. Then Reynolds announced: "I'm going to play Sharky, and I'd like to direct it."

Suddenly, William Diehl, the 52-year-old down-and-out author, began to laugh. Not only was he going to get a cameo as a mean-eyed pimp, but he would pocket \$250,000 from the movie sale, plus points.

"What's wrong, Bill?" asked Reynolds, detecting the symptoms of Sudden Success Syndrome.

"I just can't believe it," said Diehl, cackling out of control. "It's just that you're a hero to everyone back in Georgia and here I am, in your living room!"

Now 59, Wild Bill Diehl is back in control, commanding million-dollar deals for his novels. The newest is "Hooligans," a blood-splattered thriller.

It cost Random House \$800,000, and it cost Columbia Pictures another \$500,000 for movie rights.

"Boring readers is the biggest sin," runs up Diehl.

"Hooligans" is his third novel. It follows "Sharky's Machine" and "Chameleon," which sold 1.2 million copies in paperback. He populates "Hooligans" with mobsters on the prowl beneath the magnolias, sultry Southern belles, power-hungry politicians, corrupt aristocrats and a maverick federal agent come back to break a Mafia stronghold on his coastal Georgia hometown. Stir in cocaine smugglers, blundering machine guns, black-and-white divers, hungry sharks and a rogue cop with delayed stress syndrome from Vietnam.

Back when he turned 50, Diehl had watched his birthday cake, an ice cream typewriter, melt into a mishapen blob. He pondered the myth. "It was a metaphor for my life. One big mess."

He grew up in New York City, in an affluent family, but left home at 15. He began writing obits for The Atlanta Constitution after a stint as a turret gun-



Author Diehl and friends: "The good guys always win."

ner in World War II, and after getting a degree in journalism from the University of Missouri.

He left reporting to free-lance, then edited magazines, wrote press releases and movie scripts, and took photographs for Life. He hustled a local musical, "Red, White and Maddox," a satire about Georgia's former segregationist governor, Lester Maddox, which went from off-Peachtree to Broadway.

He always wound up with zilch.

"Things were not going well," he reflects, ticking off marriage, career, money and assorted ills. Then he got summoned to jury duty, watched cops wander the halls and scratched down the idea that would become "Sharky's Machine."

Fired up, he phones an agent, pitches his idea for "Sharky" and wins her blessing. He borrows

\$5,000 from friends, dispatches his wife to work and begins writing.

His first try is rejected, and he gets to brooding. He climbs back into the ring, cranks out 100 pages and an outline in three months and sends it off. Meanwhile, the county is foreclosing on his home.

"Auction," proclaims the sign in his yard.

The agent calls.

"I just turned down a \$25,000 advance," she says. During the day, bidding his \$125,000 for the unfinished first novel and finally goes to \$176,000. "Sell it!" he orders, running to grab the sign out of the yard.

And Diehl could begin considering paying the kind of bills that go along with having five children, two ex-wives, scars from battling the IRS, a happy third marriage to an ex-TV weatherwoman, a menagerie of pets on

## POLAND POSTCARD

## Amber Is Not Forever

The Associated Press

**G**DANSK, Poland — Since ancient times, traders have scoured the Baltic Sea coast for golden beads of amber, the fossilized pine resin used as jewelry and ornament.

Bronze age merchants shipped it down the "Amber Road" to ancient Greece and Rome, and until recently smugglers spirited it from rich deposits in the Soviet Union to Poland and then to the West.

Now, geography and politics have combined to stifle Poland's amber trade, although it still plays a role in religious ceremonies and folk medicine.

"There is hardly any production at all right now," said Dariusz Czarnocki, commercial director of Capelia, the Polish government firm which retails and exports folk-crafts. "We've given up production of amber jewelry and instead make silver jewelry with amber inserts."

Shops catering to foreign tourists still sell amber earrings, brooches, rings, bracelets and necklaces between \$8 and \$75, but both quality and volume are down. Officials decline to disclose the value of exports, but say output has been halved from its mid-1970s peak of 10 tons annually.

"We could meet 10 times the orders we get," craftsman Jan Mantel said during a tour of the state-owned amber cooperative Burszyn on the Baltic at Gdansk.

"We were exporting 85 percent of our output, but now we are down to 15 percent," said Mantel, who attributes the drop to the decline in export-grade amber.

Amber is the fossilized resin of now-extinct conifers which grew 50 to 80 million years ago. Most amber necklaces are made from pieces the size of a thumb joint, with color ranging from honey to ivory. Tiny insects, trapped in resin oozing from the living tree, can sometimes be seen in clear amber.

Amber is found all around the Baltic Sea, washed ashore from the depths, but the richest known lodes lie on the Sambian Peninsula in the Soviet Union, a few kilometers from Poland.

"We used to import from other socialist countries — mainly the Soviet Union — but now they don't want to sell," said Czarnocki.

Private jewelers also relied on Soviet amber, smuggled across the

border, but say the illicit trade stopped in 1980 when the Kremlin sealed the frontier to keep Poland's independent trade union movement from spreading.

"I was traveling by train near Bialystok [in eastern Poland] some years back, and shared a compartment with a Soviet family visiting relatives in Poland," said one private craftsman in Warsaw. "I pulled out a bottle of vodka, and in a little while we became good friends. I asked about amber, and they grinned and pulled up their pant legs and showed me socks full of it, bracelets around their ankles and pieces tucked all through their luggage. I'm not getting through any more, though, and the supply is drying up," he said, sadly showing visitors his last few pieces.

He and many other Poles believe amber wards off disease when worn against the skin or dissolved in spirits. "We soak tiny grains, which are not good for jewelry, in pure spirits, and drink a few drops in tea all through the winter. We never get colds or flu," he said. "And if we do get sick, we rub the solution on our skin." Larger beads, worn as bracelets or necklaces, are said to protect against rheumatism.

Pilgrims in this overwhelmingly Roman Catholic nation often hang amber strands at shrines in thanks for answered prayers.

Small grains are also added to tallow for altar candles, and when burned give off the strong smell of primal pine forests.

Some of the largest and most exquisite amber ornaments are displayed in the Amber Museum inside the 14th century Teutonic castle at Malbork, 50 kilometers (30 miles) south of Gdansk.

The most famous amber treasure, a room of panels carved in Gdansk for an 18th century king, disappeared (on the Russian palace at Tsarskoye Selo, near Leningrad, during the German occupation of World War II).

Hunting for amber continues on a smaller scale. Polish farmers occasionally turn up pieces with their plows, and beachcombers find varieties of shades and sizes when the wind blows from the northeast.

They sell it to state-owned enterprises for up to 2,000 zlotys per kilogram (about \$10 per pound), or get twice that from private jewelers for choice pieces.

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